UTILICO

UTILICO EMERGING MARKETS LIMITED

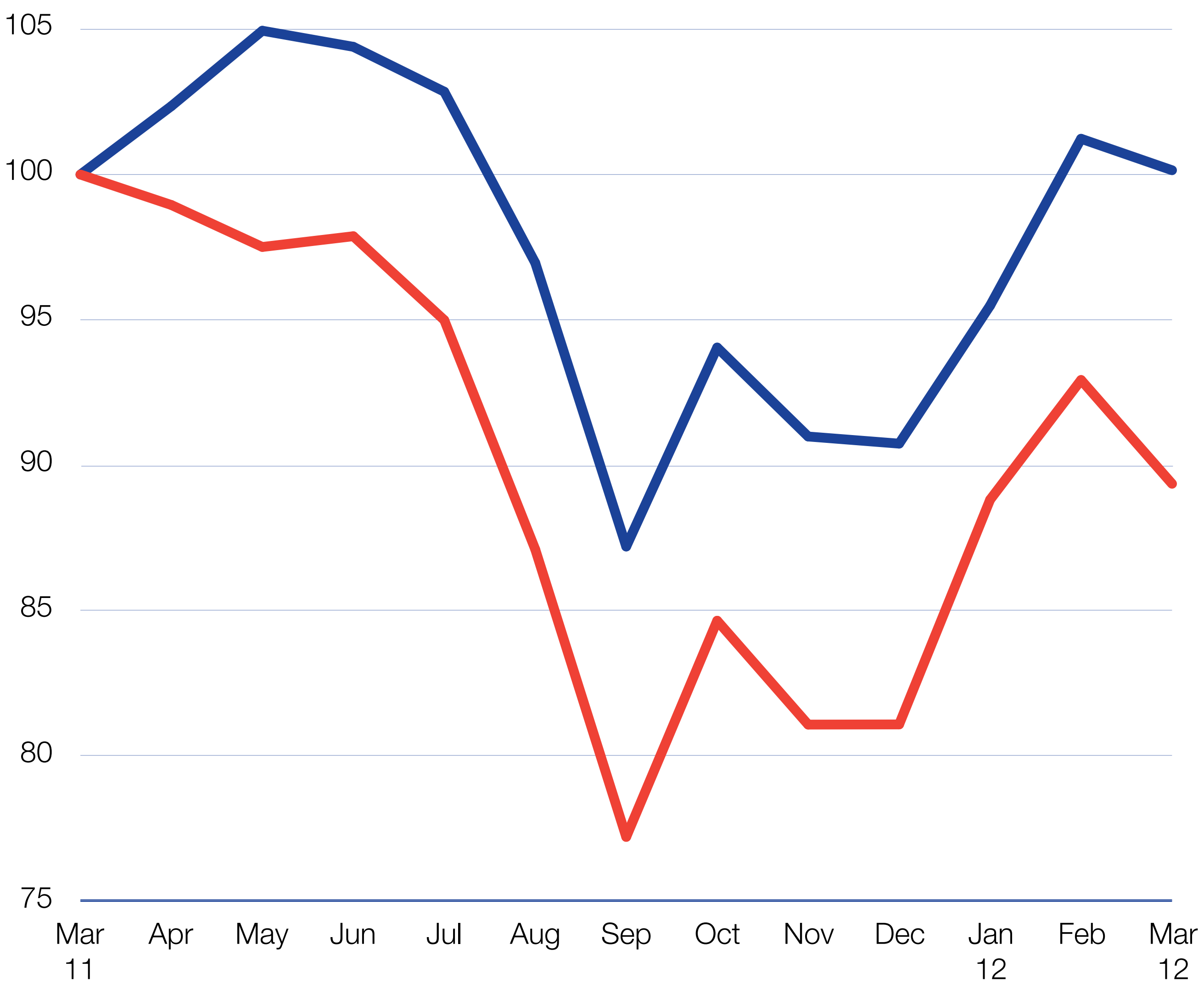
Report and Accounts 2012

Managed by ICM Limited

FINANCIAL HIGHLIGHTS – YEAR TO 31 MARCH 2012

- Revenue earnings per share of 4.12p
- Net asset value of 175.60p
- Net asset value total return equal to 3.1%
- Dividends per ordinary share of 5.50p, up 5.8%
- Dividends per share represent a yield of 3.4% on ordinary share price
- Share price increase of 6.25p, up 4.0% to 164.00p

Comparative Performance*
31 March 2011 to 31 March 2012



*GBP adjusted and rebased to 100 at 31 March 2011

Source: Company data and Bloomberg

- Cumulative revenue earnings per share of 29.30p
- Cumulative capital earnings per share of 86.69p
- Total return per share of 115.99p
- Average annual compound total return since inception of 12.3%
- Gross assets under management of £382.9m
- Average ongoing charges figure since inception of 0.8%*

* excluding performance fees

UEM historic performance*
From 20 July 2005 to 31 March 2012

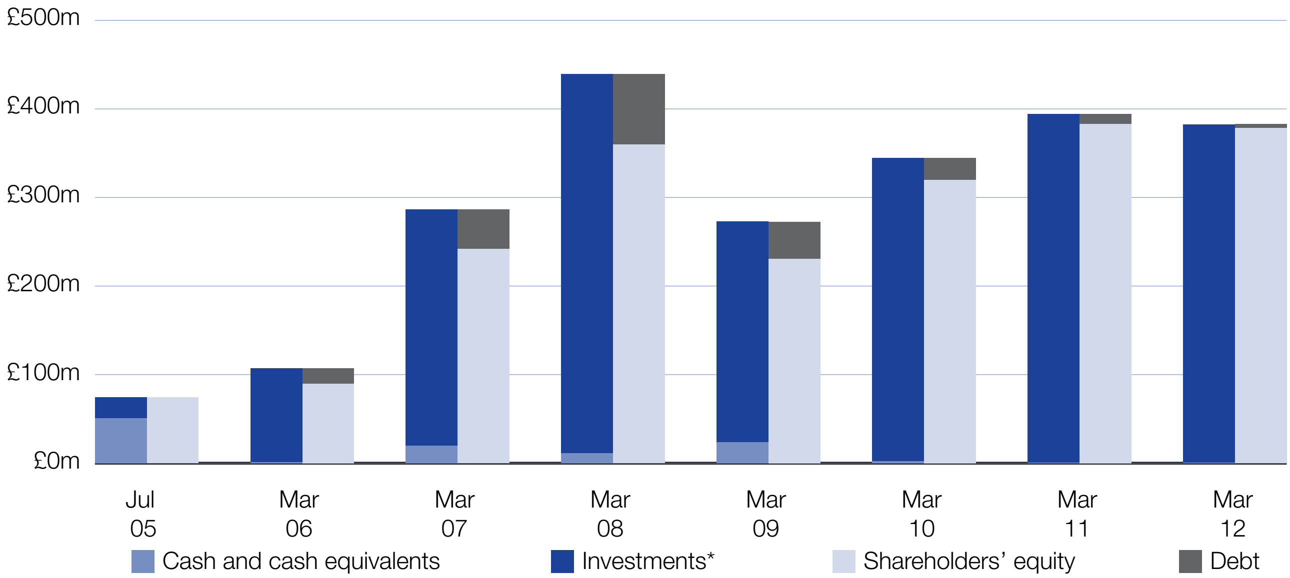
**Rebased to 100 at 20 July 2005*

Source: Utilico Emerging Markets Limited

PORTFOLIO PROGRESSION

UEM portfolio progression and capital structure

(From 20 July 2005 to 31 March 2012)

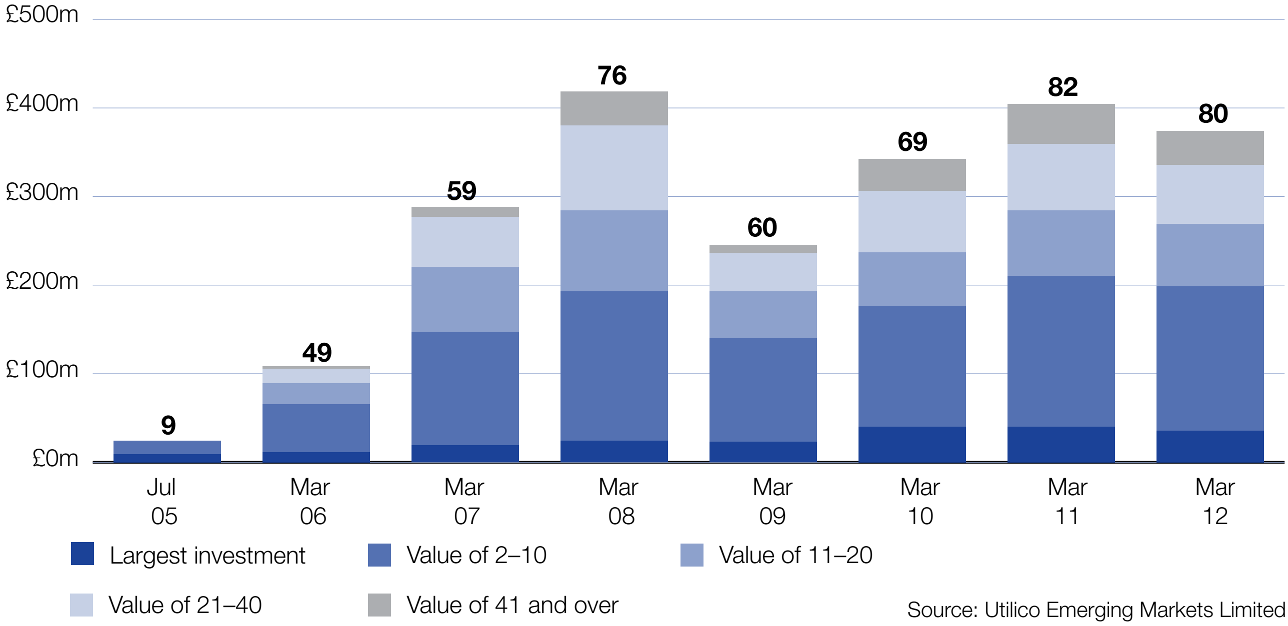


**gross assets less liabilities excluding cash and loans*

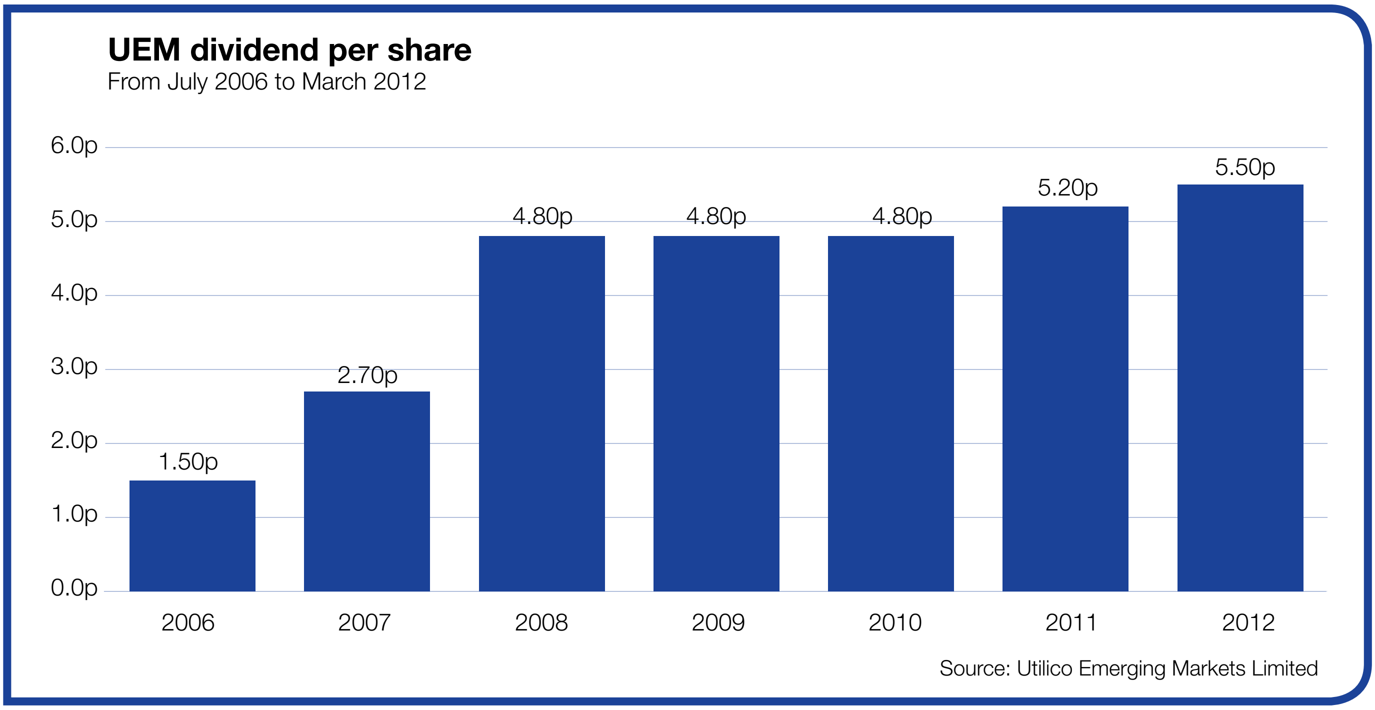
Source: Utilico Emerging Markets Limited

UEM portfolio progression and number of companies

(From 20 July 2005 to 31 March 2012)



Source: Utilico Emerging Markets Limited



CONTENTS

FINANCIAL CALENDAR

Ordinary shares ex-dividend (final)	20 June 2012
Dividend payment (final)	6 July 2012
AGM	18 September 2012
Half year September 2012 announcement	November 2012

GROUP PERFORMANCE SUMMARY

	31 March 2012	31 March 2011	Change % 2012/2011
Total return[1] (annual)	**3.1%**	21.4%	n/a
Annual compound total return (since inception)	**12.3%**	13.8%	n/a
Net asset value per ordinary share	**175.60p**	175.28p	0.2
Ordinary share price	**164.00p**	157.75p	4.0
Discount	**(6.6%)**	(10.0%)	n/a
Earnings per ordinary share (basic)			
– Capital	**1.19p**	25.63p	(95.4)
– Revenue	**4.12p**	5.61p	(26.6)
– Total	**5.31p**	31.24p	(83.0)
Dividends per ordinary share			
– Interim	**3.75p**	3.75p	–
– Final	**1.75p[2]**	1.45p	20.7
– Total	**5.50p**	5.20p	5.8
Equity holders' funds (£m)	**378.5**	383.2	(1.2)
Gross assets (£m)[3]	**382.9**	393.4	(2.7)
Ordinary shares bought back (£m)	**4.9**	11.5	n/a
Cash/(overdraft) (£m)	**(1.8)**	(0.7)	n/a
Bank debt (£m)	**(4.4)**	(10.2)	(56.9)
Net debt (£m)	**(6.2)**	(10.9)	(43.1)
Net debt gearing on gross assets	**1.6%**	2.8%	n/a
Management and administration fees and other expenses (£m)			
– excluding performance fee	**3.9**	3.1	25.8
– including performance fee	**3.6**	9.6	n/a
Ongoing charges figure[4]			
– excluding performance fee	**0.9%**	0.8%	n/a
– including performance fee	**0.9%**	2.5%	n/a

(1) Total return is calculated based on NAV per share return plus dividends reinvested from the ex-dividend date

(2) The final dividend declared has not been included as a liability in these accounts (see note 8 to the accounts)

(3) Gross assets less liabilities excluding loans

(4) Expressed as percentage of average net assets, ongoing charges comprise all operational, recurring costs that are payable by the Company or suffered within underlying investee funds, in the absence of any purchases or sales of investments.

The Company's investment objective is to provide long-term total return through a flexible investment policy that permits it to make investments predominantly in infrastructure, utility and related sectors, mainly in emerging markets.

The Company seeks to minimise risk by investing mainly in companies and sectors displaying the characteristics of essential services or monopolies such as utilities, transportation infrastructure, communications or companies with a unique product or market position.

The Company's investment policy is flexible and permits it to make investments, predominantly in infrastructure, utility and related sectors, mainly in emerging markets including (but not limited to) water, sewerage, waste, electricity, gas, telecommunications, ports, airports, service companies, rail, roads, any business with essential service and/or monopolistic characteristics and in any new infrastructure or utilities which may arise mainly in emerging markets. The Company may also invest in businesses which supply services to, or otherwise support, the infrastructure, utilities and related sectors.

The Company focuses on the undeveloped and developing markets of Asia, Latin America, Emerging Europe and Africa but has flexibility to invest in markets world-wide. The Company generally seeks to invest in emerging market countries where the Directors believe there are positive investment attributes such as political stability, economic development, an acceptable legal framework and an encouraging attitude to foreign investment.

The Company has the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds and to invest in unlisted securities. The Company may also use derivative instruments such as American Depository Receipts ("ADR") promissory notes, contracts for difference ("CFD"), financial futures, call and put options, and warrants.

The Company may, from time to time, seek to actively protect the Company's portfolio and balance sheet from major corrections. This would include foreign currency hedges, interest rate hedges, stock market index put and call options, and similar instruments.

UEM seeks to identify and invest in undervalued investments in the fast growing infrastructure and utility sectors mainly in emerging markets. The Company aims to identify securities where underlying values and growth prospects are not reflected in the market price. This is often as a result of strong growth drivers, but can include changes in regulation, technology, market motivation, potential for financial engineering, competition or shareholder indifference.

The Company seeks to minimise risk by investing mainly in companies and sectors displaying the characteristics of essential services or monopolies such as utilities, transportation infrastructure, communications or companies with a unique product or market position. Most investee companies are asset backed, have good cash flows and offer good dividend yields. UEM generally seeks to invest in companies with strong management who have the potential to grow their business and who have an appreciation of and ability to manage risk.

UEM believes it is generally appropriate to support investee companies with their capital requirements while at the same time maintaining an active and constructive shareholder approach, including encouraging the optimisation of capital structures and business efficiencies. The investment team maintains regular contact with investee companies and UEM is often among its investee companies' largest international shareholders.

The Company aims to maximise value for shareholders by holding a relatively concentrated portfolio of securities and invests through instruments appropriate to the particular situation. UEM is prepared to hold investments in unlisted securities when the attractiveness of the investment justifies the risks and lower liquidity associated with unlisted investments.

UEM achieved a positive net asset value total return per ordinary share of 3.1% in the year to 31 March 2012. The performance outstripped the MSCI Emerging Markets Total Return Index (GBP adjusted) which fell by 8.2%.

Across the emerging markets GDP continues to grow. In this environment we are able to identify a portfolio of investments which we believe are attractive over the longer term.

I am pleased to report that Utilico Emerging Markets Limited ("UEM" or the "Company") achieved a positive net asset value ("NAV") total return per ordinary share of 3.1% in the year to 31 March 2012. This is a good performance in difficult markets. The performance outstripped the MSCI Emerging Markets Total Return Index (GBP adjusted), which fell by 8.2%.

Since inception UEM has reported a positive return in six out of seven years, resulting in an average annual compound total return per ordinary share of 12.3%.

The revenue earnings per share ("EPS") have been reduced by several factors, including one-off costs of migration of UEM's listing to the Main Market (£0.5m) and the reduction and deferral of a number of dividends due from companies in our investment portfolio, including Eastern Water Resources PCL dividend deferral of £1.0m. This resulted in our revenue EPS reducing from 5.61p to 4.12p.

The management and administration fees fell sharply in the year to £1.8m, down 78.7%, as no performance fee was earned by the Investment Manager. The performance hurdle for future performance fees stands at 175.60p as at 31 March 2012.

As a Bermuda company, UEM is able to distribute both capital and income returns as dividends today. Given the change in the UK investment trust rules with effect from 1 April 2012 which allows investment trusts to distribute realised capital profits, the Board has decided to allow for the distribution of capital reserves by way of dividends.

The Board has declared an increased final dividend of 1.75p bringing the total for the year to 5.50p versus 5.20p last year, an increase of 5.8%. This includes an element of capital following the policy change described above. UEM has a Dividend Reinvestment Plan ("DRIP") which shareholders can elect to join if they wish. Further details are available on the Company's website.

The Board is aware of the increasing emphasis investors are placing on dividend income and intends to commence paying dividends in the current financial year on a quarterly basis. It is expected that the first quarterly dividend will be declared in August and paid in September 2012.

The Company bought back 3,068,441 ordinary shares over the year at an average share price of 160.00p per ordinary share. This represented 1.4% of the ordinary shares outstanding on 1 April 2011. We have emphasised in the past that buybacks are an investment decision and there is little empirical evidence that they reduce the share price to NAV discount.

During the year we migrated UEM's stock market listing from AIM to the Main Market. This is a positive step for the Company. While AIM has served us well, the size and interest in UEM is such that a Main Market listing is appropriate. Following this migration it is good to see that UEM has been included in the FTSE All Share Index and is being admitted to the FTSE 250 Index and FTSE 350 Index with effect from 18 June 2012. In addition, Charles Jillings stood down from the Board. Charles has contributed significantly to the Board since inception and I would like to acknowledge his substantial contribution to the formation and development of UEM. However, it does strengthen our corporate governance position by clearly separating the 'investment manager' from the 'Board'. Charles remains as committed to UEM as before and his advice will always be available to and valued by the Board.

OUTLOOK

As expected, the investment environment is and continues to be challenging, especially in the European Union. While the long term refinancing operation ("LTRO") undertaken by the ECB has stabilised the liquidity concerns for the European banks, very substantial market distortions now exist in Europe.

The emerging economies continue to do well and whilst there have been some concerns and significant comment over the hard or soft landing in China, growth remains reasonable. Across the emerging markets GDP continues to grow. In this environment we are able to identify a portfolio of investments which we believe are attractive over the longer term. We remain convinced the utility and infrastructure sectors offer a balanced, logical, growth orientated exposure to the GDP of emerging markets.

Alexander Zagoreos
Chairman
8 June 2012

UEM's investment focus remains mainly on listed companies which are established and profitable.

UEM's long-term performance since inception in 2005 has resulted in an average annual compound total return of 12.3%, including dividends paid.

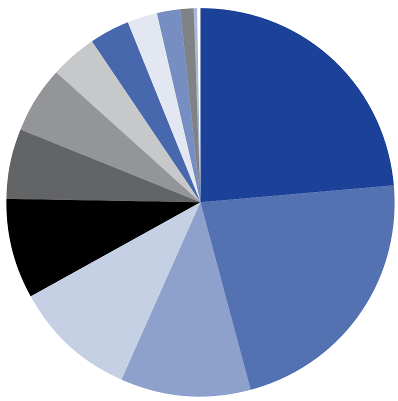
The year to 31 March 2012 has been challenging. Most markets retreated over the nine months to 31 December 2011 and then recovered in the three months to 31 March 2012. These movements were driven by concerns over sovereign and bank funding in Europe and the future of Greece's membership of the Euro was brought into question. This, together with concerns over budget limits in the US, the Arab Spring uprisings, the earthquake in Japan and the resultant tsunami, the earthquake in New Zealand, floods in Thailand and volcanic eruption in Iceland has tested the resolve of markets. We have seen significant changes in a number of governments with resultant policy changes. Responses from governments and central banks have been interventionist and generally reactive rather than proactive. All of these contributed to a changing and challenging investment environment.

Against this UEM's net asset value ("NAV") has held up well, achieving a total return of 3.1%, well ahead of the MSCI Emerging Markets Total Return Index (GBP adjusted) which was down by 8.2%. Looked at over the 12 months, the market volatility is illustrated by UEM's returns. In the first half UEM's total return was down by 11.9%. This reversed in the second half which saw a positive total return of 17.4%. It was pleasing to see UEM's NAV outperform both on the way down and on the way up.

As mentioned in the last report and accounts, UEM is about stock selection. The investment analysts travel extensively to review different economies and companies to achieve the optimal allocation and selection. In the last two years, the investment analysts visited China, Malaysia, Thailand, the Philippines, Singapore, Romania, Bulgaria, Egypt, Brazil, Mexico, Peru, Colombia, Chile, India, Romania and Poland.

UEM's investment focus remains mainly on listed companies which are established and profitable. We believe this gives us a better governance environment and a higher visibility on investee companies' management activities. We continue to maintain extensive databases which enable us to compare performance by individual companies against their international peer groups.

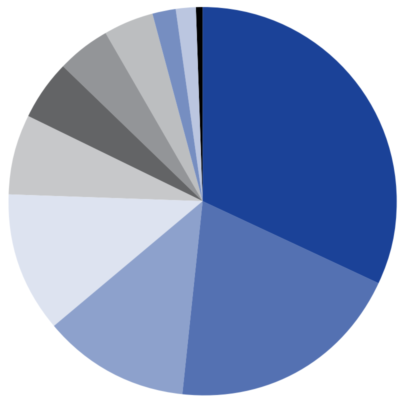
Sectoral split of investments
as at 31 March 2012



- Ports – 23.8% (23.0%)
- Water & waste – 22.2% (19.0%)
- Toll Roads – 10.7% (14.5%)
- Electricity – 10.4% (10.9%)
- Airports – 8.2% (10.2%)
- Other– 5.9% (4.4%)
- Gas – 5.7% (3.6%)
- Satellites – 3.7% (2.5%)
- Infrastructure Investment Funds – 3.5% (3.4%)
- Telecoms – 2.5% (2.7%)
- Other Infrastructure – 1.9% (2.2%)
- Renewables – 1.0% (2.0%)
- Infrastructure IT – 0.3% (1.1%)
- Post Office – 0.2% (0.5%)

Source: Utilico Emerging Markets Limited *Percentages in brackets as at 31 March 2011*

Geographical split of investments
as at 31 March 2012



- Brazil – 32.0% (33.7%)
- China – 19.9% (20.3%)
- Malaysia – 12.0% (17.2%)
- Philippines – 11.7% (9.9%)
- Thailand – 6.8% (6.1%)
- India – 4.9% (3.9%)
- Other Asia – 4.6% (2.9%)
- Eastern Europe – 4.2% (3.6%)
- Other Latin America – 1.8% (0.2%)
- Middle East/Africa – 1.7% (2.2%)
- North America – 0.4% (–%)

Source: Utilico Emerging Markets Limited *Percentages in brackets as at 31 March 2011*

PORTFOLIO

UEM's gross assets (less liabilities excluding loans) decreased from £393.4m to £382.9m over the 12 months to 31 March 2012. This reflects in part lower debt levels and in part the shares bought back.

The Company's top ten investments have seen some change, both positionally and with new entrants. The three new entrants are Asia Satellite Telecommunications Holdings Limited ("AsiaSat"), Tractebel Energia S.A. ("Tractebel") and Infrastructure India plc ("IIP"). Details on each company can be found in the Review of the Top Ten on pages 12 to 16.

AsiaSat is an owner and operator of telecommunications satellites and is a typical UEM investment. It has been a relatively under researched company as the free float is small. The two joint major shareholders, CITIC Group Corporation and General Electric Company hold 74.4% through a 50/50 owned joint venture company. Aberdeen Asset Management holds 4.0% and UEM holds 1.9%. The reduced liquidity means a reduced interest by the wider markets.

AsiaSat has been a constituent of the UEM portfolio since 2005. It broadcasts over 500 TV and Radio stations across the Asia Pacific region. The company has seen increasing demand for its capacity in recent years, particularly from India, where changes in regulation are driving exponential growth in pay-tv subscribers.

AsiaSat has performed extremely well during 2011 and has seen its transponder utilisation rate rise from 73% to 82%. Revenues increased by 18% and net profit for the year also rose 18% to HK$822.6m. This was despite HK$105.5m of pre-tax operating and impairment losses in a joint venture in Taiwan that the company has agreed to divest. The company successfully launched a new satellite at the end of 2011, and has ordered two further satellites to be launched in 2014. The company is debt free and has considerable cash balances.

AsiaSat's share price rose 31.0% to HK$19.00 at 31 March 2012. In early April, AsiaSat announced a proposal to privatise the company, at HK$22.00 versus the price at 31 March 2012 of HK$19.00, a 15.8% uplift. This offer was increased to HK$ 23.50 following representations from shareholders, including UEM. We believe this still undervalues AsiaSat as at HK$23.50 the historic EV/EBITDA is 5.2x and the PE ratio is 11.2x. These ratios are not reflective of a company that grew its EPS by an average of 19.3% per annum over the last three years.

Tractebel is a Brazilian hydroelectric operator and is another company which is well positioned to grow its activities in the Brazilian generation and transmissions sectors.

Tractebel's share price increased 18.6% in the year to 31 March 2012. While energy volumes sold were flat in the year to December 2011, improving tariffs and strong hydro production saw revenue growth of 5.5% and core EPS growth of 20.7%. Significantly, the company paid out 100% of earnings as dividends, resulting in a 115.0% uplift in payout. We increased our investment in this company during the year.

IIP is an Isle of Man investment fund investing in Indian infrastructure assets. UEM acquired its original holding in September 2010 and then contributed its investment in Indian Energy to IIP in exchange for shares. This transaction resulted in a substantial increase in our investment in IIP. Today we hold 7.6% of the enlarged group.

Brazil continues to be our top country of investment. We remain of the view that significant investment in the offshore oil and gas industry, firm commodity prices, new infrastructure, recent (and further) privatisations and the football World Cup in 2014 and Olympics in 2016 will provide a positive backdrop to the Brazilian economy. No doubt there are challenges but there are opportunities too.

Ocean Wilsons Holdings ("Ocean Wilson") share price performance over the period was fairly flat, increasing by 3.5%. Wilson Sons results at the operational level were encouraging with an increase in revenues of 21.3% driven by higher yielding imports, as well as increased activity from the towage business. However, the investment portfolio performance over the period was disappointing, leading to an overall drag on net profit which was down to US$8.7m. As a result the dividend was down 21.0%.

We remain frustrated by the compromised corporate structure of Ocean Wilson and the weak corporate governance. We have drawn both these deficiencies to the attention of the board of Ocean Wilson.

Companhia de Saneamento de Minas Gerais ("Copasa") share price performance was impressive, increasing 54.8% in the year to 31 March 2012. Full year results to December 2011 were solid, with water and wastewater treatment volumes growing by 3.5% and 5.3% respectively, driving group revenue growth of 4.5% and core EPS up 11.0%. Thus far, operational trends in 2012 are robust and with ongoing expansion opportunities in sewage treatment we continue to view Copasa as a good investment.

Santos Brasil Participacoes S.A. ("Santos") share price performance was encouraging over the period, up 21.9%. In 2011, Santos' volumes increased by 30.2%, resulting in a 29.9% increase in revenues and a 47.3% increase in EBITDA. Net income for the period was up 120.7%. Santos is one of the only operating port terminals in the Port of Santos at present to have capacity, ensuring that Santos is well positioned to capitalise on the expected continued strong export and import market currently being experienced in Brazil. The shares therefore are expected to continue to do well in the near term.

Companhia de Concessoes Rodoviarias S.A. ("CCR") share price was up 24.7% over the period. The company's full year results to December 2011 were solid with revenues increasing by 21.2%, driven by a 10.8% increase in traffic volumes, and EBITDA increasing by 29.9% and net income by 33.9%. Given the strong cash generative nature of CCR's business, it has an 89% dividend pay out ratio. CCR's management team over the course of 2011 continued to illustrate their control and restraint as they did not overbid for any of the three airport concessions that came to market, which as a shareholder was encouraging.

AES Tiete S.A., previously number six in the top ten, performed well in the year. However, with increasing tariff risks the decision was taken to sell down our holding.

China represents some 20.0% of our portfolio. However we do spread our risk over a wider number of investments than in other countries. As such only one company, AsiaSat, is in our top ten. We hold a number of toll road investments in China. Their performance has been very weak in the year to 31 March 2012. This was caused mainly by the Chinese government launching a nationwide review of all toll road returns. This resulted in share price reductions across the sector which clearly caught the markets by surprise and was a disappointment. The share price of our toll road investments in China were down between 13.9% and 44.4% over the 12 months. Sichuan Expressway Co. Limited, which was tenth last year, saw its share price decrease by 44.4% over the 12 months. China remains a challenging opportunity.

Malaysia has reduced from 17.2% to 12.0% of our portfolio mainly as a result of a reduction in our investment in Malaysia's airport operator Malaysia Airport Holdings Berhad ("MAHB") and in Puncak Niaga Holdings Berhad ("Puncak").

MAHB's share price performance over the period has been disappointing, decreasing by 4.4%. We foresaw this weakness and exited 23.2% of our shareholding at an average of MYR6.16 per share when markets were firmer. MAHB's share price ended the year at MYR5.81.

MAHB's full year results to December 2011 were solid with a 6.7% increase in revenues, driven by a 10.7% increase in passenger numbers to 64.0m. EBITDA and net income marginally increased as well, up by 5.2% and 9.4% respectively. However the announced delay and increase in costs of MAHB's new low cost carrier terminal KLIA2 and third runway held the shares back. KLIA2 is now expected to be completed in April 2013. To fund the increased costs MAHB placed new shares in the market at MYR5.60 in February this year.

The share price performance of Puncak, a Malaysian water treatment and supply company and previously number eight in the top ten, was disappointing, decreasing by 38.9% in the year to March 2012. This reflects uncertainty on unfulfilled contractual obligations by the State of Selangor over tariff increases and ineffective action by the Federal government to implement wider industry restructuring. Puncak has begun to diversify into the Oil & Gas sector while legal action against the State is on-going. The share price has been volatile and UEM has taken advantage of this to reduce exposure by selling into market peaks.

Over the coming year we will follow the elections in Malaysia with a keen interest.

Our Philippines country exposure has increased from 9.9% to 11.7%, principally driven by UEM's biggest investment, International Container Terminal Services Inc. ("ICT"). ICT's share price performance was outstanding, up 55.6% in the year to 31 March 2012. ICT's 2011 full year results were excellent with revenues up 26.6% driven by strong TEU (twenty foot equivalent unit) growth over the period of 24.5%, whilst EBITDA increased by 13.6% and net income by 32.7%. With three new terminals expected to come on line over the next two years, and ICT actively looking for additional terminals within the emerging markets to add to its current portfolio, further upside is expected as the growth prospects for ICT remain sound. We reduced the holding in ICT to both realise gains and more importantly to bring it back under 10.0% of UEM's portfolio at that time.

Thailand remains our fifth largest country of investment at 6.8%. Thailand has faced significant challenges following the devastating floods that began in July 2011 and persisted until January 2012. However, the ability of Thailand to recover has been remarkable. Eastern Water Resources PCL ("Eastwater") is one of our top ten investments. Its share price rose 26.3% over the 12 months, a significant performance in challenging conditions and, given the 31.0% performance last year, is impressive.

Eastwater's full year results to December 2011 were encouraging, with raw water sales growth of 6.2%, underlying revenue up 6.2%, and core EPS up 18.6%. With tariff increases being implemented through 2012 and industrial activity rebounding in Thailand after the floods in 2011, we believe that there is further substantial upside.

Over the year we invested £84.7m and realised £123.0m from sales. In the top ten we invested £2.8m in Santos and realised investments in ICT, Ocean Wilson and MAHB of £13.8m, £11.7m and £9.4m respectively.

The geographic split of investments has not seen any major movements with the exception of the reduction in Malaysia. This reflects weaker share prices and portfolio realisations of MAHB and Puncak.

Sectoral changes have been minimal. The toll road investments reduced from 14.5% to 10.7% mainly as a result of very poor performances by the Chinese toll road operators. The airport sector reduced due to weaker share prices, together with our sales of MAHB.

CURRENCY

Currency has been a factor in the year to 31 March 2012 with the Brazilian Real depreciating by 11.8%. As Brazil is the largest geographical weighting in the portfolio, this has had a negative effect in Sterling terms.

BANK DEBT

UEM successfully secured a new increased £50.0m bank facility with Scotiabank Europe plc. Having reduced bank debt to nil at 31 January 2012 we have modestly increased usage to £4.4m at 31 March 2012. We expect bank debt usage to increase further, especially if markets weaken and allow us to buy long term strategic investments.

REVENUE RETURN

Revenue income reduced from £15.2m to £12.7m. This is disappointing and has arisen due to reduced and deferred dividend payments. Within the top ten, EastWater's final dividend of £1.0m was delayed into our next financial year. This should balance out over time.

The normal management and administration fees were unchanged. However, other expenses were substantially higher, up 82.6% at £1.8m. The increase of £0.8m arose mainly as a result of the migration costs to the Main Market of £0.5m and the £0.1m costs of establishing the new two year bank facility.

Finance costs were unchanged at £0.6m and arose out of an historic interest rate swap agreement which expired on 31 March 2012.

Taxation reduced to £0.7m, down 24.0%, mainly due to delayed and reduced dividends and associated withholding tax.

The net impact of the reduced income and higher costs is a lower profit for the year of £8.9m, down from £12.0m last year.

CAPITAL RETURN

The portfolio gains in the second half of the year of £61.3m reversed the losses in the first half of £51.9m and resulted in a year on year gain of £9.4m. This was a pleasing outcome for the year. The gains on the options strategy of £0.6m in the first half were reversed in the second half as the market recovered strongly resulting in losses for the year of £3.2m.

The Investment Manager has operated a strategic market position via the purchase and sale of equity index put and call options, principally on the S&P500 Index. The level of the position is kept under constant review, and will depend upon several factors including the relative performance of markets, the price of options as compared to the market, and the Investment Manager's view of likely future volatility and market movements. As at 31 March 2012 UEM's net position was 600 S&P put options. In addition UEM had sold 400 call options. The total position was valued at £12.4m at year end.

Exchange losses, other expenses, finance costs and taxation were in line with the prior year. The management and administration fees were sharply lower as a performance fee was not earned in the year to 31 March 2012.

The net effect of the above was a profit for the year on the capital return of £2.6m.

BUYBACK AND DISCOUNT

UEM bought back 3.1m ordinary shares at a cost of £4.9m during the year, at an average share price of 160.00p.

We continue to believe that buybacks are a standalone investment decision. This is evidenced in the wider market which suggests they have a modest impact only on the discount to NAV. However, following the migration to the Main Market the discount has narrowed which is pleasing. At times of weakness buying back shares is an attractive way to increase exposure to markets if we use the committed £50m debt facility that is available to us.

ICM Limited
Investment Manager
8 June 2012

TEN LARGEST HOLDINGS

At 31 March 2012

This Year	*Last Year*	**Company** *(Country)* Description	Fair Value £'000s	% of total investments
1	*(3)*	**International Container Terminal Services, Inc.** *(Philippines)* Global container port operator	35,558	9.5%
2	*(1)*	**Malaysia Airport Holdings Berhad** *(Malaysia)* Airport operator	29,224	7.8%
3	*(2)*	**Ocean Wilsons Holdings Limited** *(Brazil)* Port operator, provider of shipping services and worldwide investment fund	27,799	7.4%
4	*(4)*	**Eastern Water Resources PCL** *(Thailand)* Water treatment and supply	25,526	6.8%
5	*(5)*	**Companhia de Saneamento de Minas Gerais** *(Brazil)* Water treatment and supply	22,057	5.9%
6	*(9)*	**Santos Brasil Participacoes S.A.** *(Brazil)* Port operator	14,449	3.9%
7	*(–)*	**Asia Satellite Telecommunications Holdings Limited** *(China)* Satellite operator	11,444	3.1%
8	*(7)*	**Companhia de Concessoes Rodoviarias S.A.** *(Brazil)* Toll road operator	11,370	3.0%
9	*(–)*	**Tractebel Energia S.A.** *(Brazil)* Electricity generation	11,073	3.0%
10	*(–)*	**Infrastructure India plc** *(India)* Infrastructure investment company	10,326	2.8%
		Other investments	175,343	46.8%
		Total Portfolio	374,169	100.0%

The value of the ten largest holdings represents 53.2% of the Group's total investments. The country shown is the location of the major part of the company's business. The value of convertible securities represents 2.5% (2011: 1.2%) of the Group's portfolio and the value of fixed income securities represents 2.3% (2011: 3.3%) of the Group's portfolio. The total number of companies included in the portfolio is 80 (2011: 82).

International Container Terminal Services Inc. (Philippines)

www.ICTSI.com

Market Cap £1,853.2m

"ICT" manages and operates container terminals in the Philippines and across the world, operating in 14 countries. The company's strategy is to focus primarily on small to medium sized terminals (less than 1,500k TEUs (twenty-foot equivalent units) per year) where the expensive civil infrastructure is already in place which allows ICT to utilise their management expertise to rapidly increase port throughput. During 2011, revenue increased by 26.6% to US$570.7m, with EBITDA and net income increasing 13.6% and 32.7% respectively. The 24.5% increase in TEUs over the period as well as the improvement in TEU yields has helped drive the company's growth. During the year to 31 December 2011, we have also seen ICT reviewing a number of new port opportunities, illustrative of the additional growth potential within ICT yet to come. Over the period the share price has increased by 55.6%.

Malaysia Airports Holdings Berhad (Malaysia)

www.malaysiaairports.com.my

Market Cap £1,443.7m

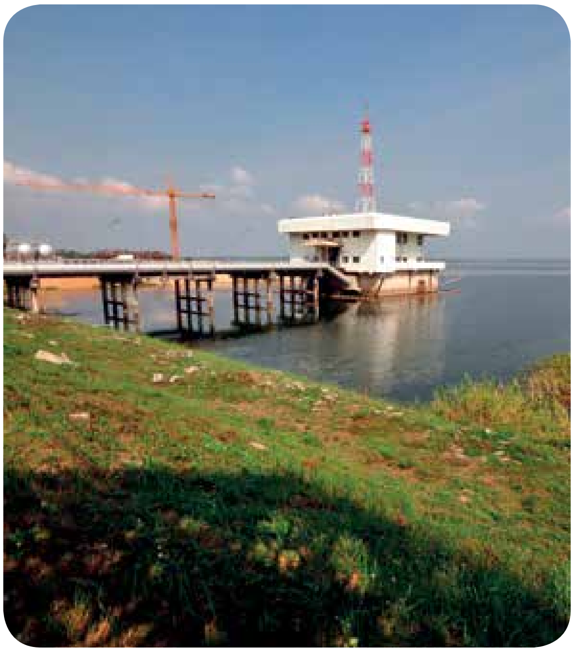
"MAHB" is the sole civilian operator of airports in Malaysia and operates 39 airports in the country including Malaysia's largest airport KLIA. Revenue growth is driven by air traffic volumes and in particular by the growth in the low cost travel market, which will be enhanced once the new low cost carrier terminal KLIA2 is completed in April 2013. Currently, MAHB has overseas investments in India, Turkey, the Maldives and China where strong country dynamics will create a significant increase in air traffic growth. 2011 produced a solid set of results with a 6.7% increase in revenues driven by a 10.7% increase in passenger numbers to 64.0m. EBITDA increased by 5.2% whilst net profit increased 9.4%. An increased dividend of 12.1% was declared in the year. Over the year the share price has decreased by 4.4%.

Ocean Wilsons Holdings Limited (Brazil)

www.oceanwilsons.bm

Market Cap £419.9m

"Ocean Wilsons" is a Bermuda company listed on the London and Bermuda Stock Exchanges and has a 58.3% stake in Wilson Sons, a listed Brazilian maritime services provider. In addition, Ocean Wilsons owns a managed investment portfolio which had US$229.4m under management at 31 December 2011. Wilson Sons operates a broad span of maritime support services from port operations (Tecon Rio Grande and Tecon Salvador) to ship building and is currently one of the market leaders within the Brazilian towage market. During 2011 Ocean Wilsons' revenues increased by 21.3% driven by higher yielding imports as well as increased activity within the offshore business which is benefiting from the strong growth seen within the Brazilian oil and gas sector. However the weak performance of the investment portfolio, as a result of the difficult and challenging markets seen in 2011 and no one-off gains occurring in 2011 (from the formation of an offshore joint venture in 2010), resulted in negative net income of US$8.7m. The dividend for the year was reduced by 21%. During the year the share price increased by 3.5%.



Eastern Water Resources PCL (Thailand)

www.eastwater.com

Market Cap £252.9m

"EastWater" operates the main water pipeline systems which supply untreated water (so called "raw water") to Thailand's industrialised Eastern Seaboard. In addition the company has built up a treated water supply business which operates water treatment and supply concessions in nine separate areas. In their financial year to December 2011, raw water volumes grew by 6.8%, even though the country was affected by severe flooding in the latter half of the year. As tariffs have effectively been frozen since 2009, this growth saw group turnover increase by 6.2% on an underlying basis (excluding a one-off major construction project in 2010). Good cost control saw normalised earnings increase by 18.6% in 2010, and dividends increased by 10.5%. Thus far in 2012 EastWater continues to perform well, reporting growth of 5.6% in raw water volumes in the first quarter. At the same time financial prospects are encouraging as tariff increases of 9.8% are being implemented across the customer base, with further scheduled rises in 2013 and 2014. In the year to 31 March 2012, EastWater's share price increased by 26.3%.

Companhia de Saneamento de Minas Gerais (Brazil)

www.copasa.com.br

Market Cap £1,678.2m

"Copasa" is a water and sewerage company serving the state of Minas Gerais, Brazil's second most populated state. Copasa supplies a population of 13.6m people with clean water, and provides waste water treatment and disposal for 8.3m people. In their financial year to December 2011, water and wastewater treatment volumes grew by 3.5% and 5.3% respectively. While water tariffs remained broadly flat, sewage tariffs benefited from higher banding as roll-out targets were met, resulting in an effective tariff increase of 15.4%. The growth in water and wastewater revenues was diluted by a reduction in lower-margin construction revenue, with Copasa reporting group turnover growth of 4.5% in 2011. Decent cost control allowed normalised earnings growth of 11.0%, although dividends were reduced by 31.8% as the company sought to retain cash to maintain a healthy balance sheet. Thus far in 2012 operational trends are similar to last year, with water and sewage volumes up 3.2% and 6.6% respectively. Copasa's share price increased by 56.8% in the year to 31 March 2012.

Santos Brasil Participacoes S.A. (Brazil)

www.santosbrasil.com

Market Cap £1,435.0m

"Santos" is one of the major container handling and logistics service providers in Brazil, currently being responsible for the throughput of approximately 25% of the container volumes in Brazil. Santos has three container terminals with the primary terminal being Tecon Santos in Sao Paulo. Tecon Santos, which operates an integrated port logistics unit as well as one of the largest vehicle terminals in the country, has a strong market position as it is one of the only terminals within San Paulo to have spare capacity to serve the growing import and export market of Brazil. During 2011, the company saw revenues increase by 29.9% driven by a 30.2% increase in TEU volumes which, assisted by improving efficiencies, translated into an increase in EBITDA of 47.3% to R$456.9m. Net income for the period was up 120.2%. Over the period, Santos' share price has increased by 21.9%.

Asia Satellite Telecommunications Holdings Ltd

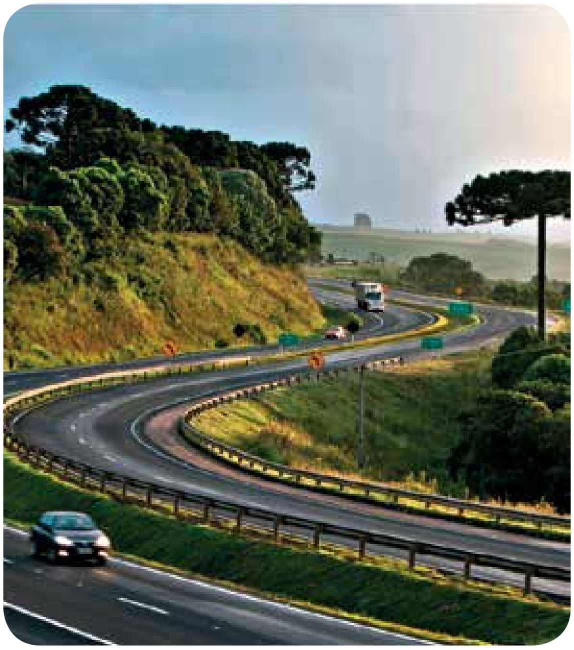
www.asiasat.com

Market Cap £597.8m

"AsiaSat" is an owner and operator of telecommunications satellites. The company has four satellites, broadcasting over 500 television and radio channels to over 50 countries in the Asia-Pacific region. In recent years, the company has seen strong demand for its services, particularly from India, where changes in regulation have driven exponential growth in pay-tv subscribers.

During 2011, AsiaSat saw its transponder utilisation rate rise from 73% to 82%. Revenues increased by 18% and net profit for the year also rose 18% to HK$822.6m. This was despite HK$105.5m of pre-tax operating and impairment losses in a joint venture that the company has agreed to divest.

Over the period, AsiaSat's share price rose 31% to HK$19.00. In early April, AsiaSat announced a proposal to privatise the company, offering minority shareholders HK$22.00 per share.



Companhia de Concessoes Rodoviarias S.A. (Brazil)

www.groupccr.com

Market Cap £8,922.4m

"CCR" is Brazil's largest toll road operating company. It currently manages over 2,400km (including SPVias) of the country's highways which represents around 6.0% of the country's privatised toll roads. It manages eight concessions in the states of Sao Paulo, Rio and Parana, with stakes in other investments including the management and operation of a subway contract for the Sao Paulo Metro. During 2011, revenue increased 21.2% driven by a 10.8% increase in traffic volumes and EBITDA increased by 29.9%, which flowed through to the bottom line which saw net income increase by 33.9%. Over the course of 2011 Brazil also saw a number of privatisation auctions for toll roads and airports, in which CCR's management have shown a restraint by not overpaying for the assets. Over the period the share price has increased by 24.7%.

Tractebel Energia S.A.

www.tractebelenergia.com.br

Market Cap £7,302.5m

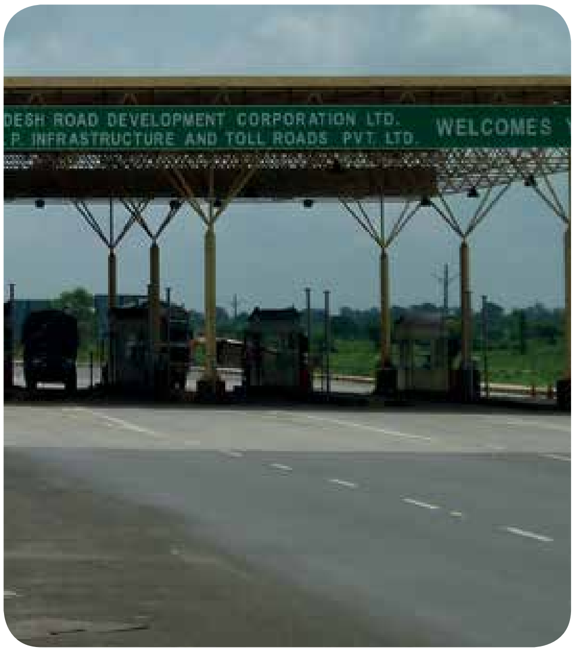
"Tractebel" is Brazil's largest private sector energy generation company. It operates 6.9GW of installed generating capacity, accounting for circa 7% of Brazil's total market. The majority (80%) of this capacity is hydroelectric, mostly based in the south-eastern regions including Parana, Santa Catarina and Rio Grande de Sul. The remaining capacity is mainly thermal plants, as well as some smaller biomass and wind assets. The company is controlled by GDF Suez via International Power's 68.7% stake. During 2011 group revenues increased by 5.5%, mainly driven by a 9.0% increase in average contracted rates. Significantly, a greater proportion of energy sales were provided by higher-margin hydro generation, which combined with strong cash flow boosted core EPS growth to 20.7%. Reported EPS grew 19.5%, with modest dilution due to a favourable ruling on a lawsuit in 2010. With limited near-term investment requirements Tractebel paid out 100% of earnings, resulting in a 115% uplift in dividends over 2010. In the year to 31 March 2012, Tractebel's share price increased by 18.4%.

Infrastructure India plc

www.iiplc.com

Market Cap £141.6m

"IIP" is a closed ended investment company that invests in infrastructure projects in India with a particular emphasis on assets in the broader sectors of energy and transport. Its main investment is a 100% holding in Vikram Logistics and Maritime Services Private Ltd (VLMS), which is a supply chain transportation and container infrastructure company that has substantial growth potential. IIP also owns a wind farm and has interests in two hydro power companies and a toll road. Given the challenging and difficult market in which IIP operates, the six months results to 30 September 2011 reflected a loss in net investment income of £0.3m due to fair value adjustments. The shares were trading at a 26% discount to NAV (as at 30 September 2011, its latest published NAV). Over the period, the share price has decreased by 16.9% to 77.00p.



INVESTMENT TEAM

INVESTMENT POLICY

The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's day-to-day activities. The Company has, however, entered into an Investment Management Agreement with ICM Limited ("ICM") under which ICM provides investment management services including portfolio monitoring and research to the Company.

ICM is primarily responsible for the investment portfolio in conjunction with advice received from Mr Charles Jillings, as an employee of the Company.

ICM represented by Duncan Saville

Mr Saville, aged 55, a chartered accountant, is a director of UEM's Investment Manager, ICM Limited. He is a non-executive director of Infratil Limited, Vix Technology Pty Limited, Touch Holdings Limited and Global Equity Risk Protection Limited. He was formerly a non-executive director of Utilico Investment Trust plc and is an experienced director having previously been a non-executive director in both the water and airport sectors.

Charles Jillings

Mr Jillings, aged 56, stood down from the Board on 1 March 2012 but continues to be an employee of the Company. He is responsible for the day-to-day running of the Company and the investment portfolio in conjunction with the Investment Manager. Mr Jillings qualified as a chartered accountant and previously worked in corporate finance at Hill Samuel for 10 years. He has been a director of a number of listed companies and he is a director of East Balkan Properties plc, Global Equity Risk Protection Limited and Vix Technology Pty Limited.

Assisting them are the following senior research analysts:

Jacqueline Broers

Jacqueline Broers, aged 32, has been involved in the running of UEM since September 2010. Prior to joining the investment team, Ms Broers worked in the Corporate Finance team at Lehman Brothers/Nomura. Ms Broers is also a qualified chartered accountant.

Jonathan Groocock

Jonathan Groocock, aged 34, has been involved in the running of UEM since February 2011. Prior to joining the investment team Mr Groocock was an equity research analyst at Investec and is a CFA charterholder.

Mark Lebbell

Mark Lebbell, aged 40, has been involved in the running of UEM since its inception and before that was involved with Utilico Investment Trust plc and The Special Utilities Investment Trust PLC since 2000. Mr Lebbell is an associate member of the Institute of Electrical Engineering and Technology.

All of the investment team, with the exception of Mr Saville, are employees of UEM and of ICM Investment Research Ltd, a wholly-owned subsidiary of ICM Limited.

Mr Alexander Zagoreos (Chairman)†

Mr Zagoreos, aged 74 and appointed in June 2005, was educated at Columbia University and was awarded an MBA, BA and Masters degree in International Affairs. He is Chairman of the Company and the Company's Management Engagement Committee. He is senior adviser of Lazard Asset Management, where he was formerly responsible for emerging market products and closed-end investment companies. He has over 40 years of investment experience. He is currently a director of The World Trust Fund,Taiwan Opportunities Fund, Alpha Andromeda Trust and ProBank (Athens) and formerly manager of Lazard Emerging World Investors LP, and is on the boards of a number of investment companies and charitable organisations.

Mr Garry Madeiros OBE†

Mr Madeiros, aged 62 and appointed in June 2007, was formerly president and Chief Executive Officer of BELCO Holdings Limited and Bermuda Electric Light Company Limited. He is a director of BF&M Limited and BF&M Life Insurance Company. He is a Chartered Accountant, Chairman of the Company's Audit Committee and he has served on a number of corporate, community and Government boards. He is a Justice of the Peace and a fellow of the Bermuda Institute of Chartered Accountants.

Mr Anthony Muh†

Mr Muh, aged 48 and appointed in October 2010, is an investment professional with more than 25 years' experience in the investment management industry. He is an executive director of Morrison & Co. He previously headed up the Asia Pacific operations of the UK's largest closed-end listed investment company, Alliance Trust PLC. He is the Chairman and a Fellow of the Hong Kong Securities Institute and a member of the Asia Advisory Board for Euromoney Institutional Investor Plc and is a member of the New Zealand Business Advisory Board to the New Zealand Chamber of Commerce in Hong Kong.

Mr Kevin O'Connor (Deputy Chairman)†

Mr O'Connor, aged 71 and appointed in June 2005, was formerly the chairman of Infratil Limited, a New Zealand based specialist investor in international infrastructure and utility assets. He is Chairman of the Company's Remuneration Committee. Previously he had a 35 year career in investment banking and stock broking with Daysh Renouf & Co and O'Connor Grieve & Co amongst others. He was a member of the New Zealand Takeovers Panel for 15 years and is Chairman of the Nikau Foundation, a trustee of the Catholic Foundation of Wellington, as well as being involved with a number of other charitable bodies.

† Independent Director

All Directors are Members of the Audit Committee, Management Engagement Committee and Remuneration Committee

The Directors present their report and the financial statements of the Company and Group for the year ended 31 March 2012. The Corporate Governance Statement is incorporated by reference into this Report of the Directors.

Status of the Company

The Company is a Bermuda exempted, closed end investment company with company registration number 36941. The Company's ordinary shares were admitted to a premium listing on the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange on 14 October 2011, after which its shares were delisted from AIM and the Bermuda and Channel Islands Stock Exchanges. It is a member of the Association of Investment Companies ("AIC") in the UK.

The move to the Main Market was undertaken to:

- increase the liquidity in the ordinary shares;
- enhance the Company's profile amongst the financial and investment community;
- widen the pool of potential investors in the Company; and
- provide a more appropriate platform on which the Company can trade given its market capitalisation.

The Company holds shares in a segregated account in Global Equity Risk Protection Limited (GERP), an unquoted Bermuda segregated accounts company incorporated on 4 May 2006. This account, which is structured as the Bermuda law equivalent of a protected cell, exists for the sole purpose of carrying out derivative transactions on behalf of the Company. In accordance with the IASB's interpretation in SIC-12, the segregated account in GERP is classified as a special purpose entity of the Company and its financial results are included within the accounts of the Group.

In September 2011, the Company established a subsidiary in Mauritius, Utilico Emerging Markets (Mauritius) ("UEM Mauritius"), to facilitate direct investments in India.

Details of the subsidiary company and the special purpose entity are given in note 10 to the accounts.

The Company's shares are eligible for inclusion in the stocks and shares component of an Individual Savings Account.

Revenue and Dividends

The results for the year are set out in the attached accounts.

The Company paid an interim dividend of 3.75p per ordinary share on 16 December 2011. The Directors have declared a final dividend of 1.75p per ordinary share, payable on 6 July 2012 to ordinary shareholders on the register as at the close of business on 22 June 2012.

Investment Policy

The Company's investment objective is to provide long-term total return by investing predominantly in infrastructure, utility and related sectors (including other investment companies investing in those companies) mainly in emerging markets. The Company's investment policy is flexible and within its chosen sectors, its investments include (but are not limited to) water, sewerage, waste, electricity, gas, telecommunications, ports, airports, service companies, rail, roads, any business with essential service or monopolistic characteristics and in any new infrastructure or utilities which may arise mainly in emerging markets. The Company may also invest in businesses which supply services to, or otherwise support, the infrastructure, utilities and related sectors.

The Company focuses on the under-developed and developing markets of Asia, Latin America, Emerging Europe and Africa but has the flexibility to invest in markets worldwide. The Company generally seeks to invest in emerging market countries where the Directors believe that there are attributes such as political stability, economic development, an acceptable legal framework and an encouraging attitude to foreign investment.

The Board and Investment Manager review the risk profile of the Company every six months. Agreed risk parameters are established and compliance is reviewed at the quarterly board meetings.

There will be no material change to the Company's investment policy without prior shareholder approval.

Performance

In the year to 31 March 2012 the net asset value total return of the Group was 3.1% compared with a negative total return of 8.2% by the MSCI Emerging Markets Index over the same period. The Chairman's Statement and the Investment Manager's Report include a review of developments during the year together with information on investment activity within the portfolio and an assessment of future development.

Borrowings

The Company may, from time to time, use bank borrowings for short-term liquidity purposes. In addition, the Directors may gear the Company by borrowing on a longer term basis for investment purposes.

Borrowings at the time of draw down must not result in gearing (being total borrowings measured against gross assets) exceeding 25%. Borrowings will be drawn down in Sterling, US Dollars or any currency for which there is a corresponding asset within the portfolio (at the time of drawing down the value drawn must not exceed the value of the corresponding asset in the portfolio).

In February 2012 the Company repaid in full the loan with Bank of Scotland plc and entered into a £50 million secured multicurrency revolving facility with Scotiabank Europe PLC.

Investment restrictions

Unquoted investments

Unquoted and untraded investments (excluding GERP and UEM Mauritius) must not exceed 10% of the gross assets at the time the investment is made.

Single investment

No single investment may exceed 20% of the gross assets at the time of investment. Investments other than in infrastructure, utility and related companies (including GERP and UEM Mauritius) are limited in total to 20% of the gross assets.

Single country

Investments in a single country must not exceed 50% of gross assets at the time of investment.

Investment in other funds

Not more than 10% in aggregate of the value of the total assets of the Company at the time the investment is made will be invested in closed-end investment funds which are listed on the Official Listing maintained by the UK Listing Authority (except to the extent that those investment funds have stated investment policies to invest no more than 15% of their total assets in other investment funds which are listed on the Official List); the Company shall not invest more than 15% in aggregate value of the total assets of the Company at the time the investment is made in such funds.

Hedging

The Investment Manager may follow a policy of actively hedging the market and balance sheet risks faced by UEM.

A review of the investment portfolio, borrowings and hedging is included in the Investment Manager's Report within this annual report and accounts.

Regulatory and competitive environment

The Company is a closed end investment company and is obliged to comply with Bermuda law, the rules of the UK Listing Authority and International Financial Reporting Standards ("IFRS"). The financial statements are also presented, where relevant, in compliance with the Statement of Recommended Practice (SORP) for Investment Trusts issued by the AIC in January 2009. The Company is exempt from taxation, except insofar as it is withheld from income received. Under Bermuda law, the Company may not distribute income or capital reserves by way of a dividend unless, after distribution of the dividend, the realisable value of the Company's assets would be greater than the aggregate of its liabilities and its issued share capital and share premium account.

In addition to annual and interim accounts published under these rules, the Company announces net asset values daily via the London Stock Exchange's Regulatory News Service and provides more detailed statistical information on a monthly basis to the AIC in order to allow investors and brokers to review its performance. The Company also reports to shareholders on performance against the investment objective, Directors' dealings in the shares of the Company, corporate governance, investment activities and share buybacks. A monthly factsheet is published and is available on the Company's website.

The accounting policies of the Company are detailed in note 1 to the accounts on pages 39 to 42. UK investment trust rules changed with effect from 1 April 2012 to permit the distribution of capital returns by way of a dividend. Such distributions are permitted under Bermuda law (provided they do not include share capital or share premium) and the Board has decided to introduce this policy in the year under review to allow for the distribution of capital reserves by way of a dividend. This change in policy has allowed the Company to increase its dividend in the year ended 31 March 2012, notwithstanding the fall in net revenue income during the year. The shortfall in income in this period is due to a number of factors, which include the cost to the Company of migrating its listing to the Main Market and the deferral (from March to April) of payment of dividends due from Eastern Water Resources PCL, one of our largest holdings, resulting in income shifting from the 2012 financial year to the 2013 financial year.

Key performance indicators

The key performance indicators ('KPIs') used to determine the progress and performance of the Group over time, and which are comparable to those reported by other companies with similar investment objectives, are set out below:

- Net asset value total return relative to the MSCI Emerging Markets Index
- Share price
- Discount on net asset value
- Revenue earnings
- Ongoing charges figure

While some elements of performance against KPIs are beyond management control, they provide measures of the Group's absolute and relative performance and are therefore monitored by the Board on a regular basis.

31 March	2012	2011
Net asset value total return	3.1%	21.4%
MSCI Emerging Markets Index (sterling adjusted)	(8.2)%	9.6%
Share price	164.00p	157.75p
Discount to net asset value	6.6%	10.0%
Percentage of issued shares bought back during the year (based on opening share capital)	1.4%	3.9%
Revenue earnings per share	4.12p	5.61p
Ongoing charges figure – excluding performance fee	0.9%	0.8%

Discount on net asset value: The Board monitors the premium/discount at which the Company's shares trade in relation to the assets. The shares traded at an average discount of 8.9% to NAV in the year to 31 March 2012. Since the Company's shares have moved to the Main Market the discount has narrowed to 6.6% as at 31 March 2012. The Board and Investment Manager closely monitor both movements in the Company's share price and significant dealing in the shares. In order to avoid substantial overhangs or shortages of shares in the market the Board asks shareholders to approve resolutions which allow for the buyback of shares and their issuance which can assist in the management of the discount.

Earnings and dividend per share: It is the Directors' intention to try to maintain or increase the dividend. The Board and the Investment Manager attaches great importance in maintaining earnings per share. The Board has the flexibility to pay dividends from capital reserves.

Principal Risks and Risk Mitigation

The Board carefully considers the Company's principal risks and seeks to mitigate these risks through continual and regular review, policy setting, compliance with and enforcement of contractual obligations and active communication with the Investment Manager and the Company's Administrator (F&C Management Limited ("F&C" or "the Administrator")).

The Board applies the principles and recommendations of the UK Code on Corporate Governance and the AIC's Code on Corporate Governance as described on page 26. The Company's internal controls are described in more detail on pages 28 and 29. Through these procedures, and in accordance with Internal Control: Revised Guidance for Directors on the Combined Code (the "FRC guidance") the Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company and has regularly reviewed the effectiveness of the internal control systems for the year. This process has been in place throughout the year under review and to the date hereof and will continue to be regularly reviewed by the Board going forward.

The Company's assets consist mainly of listed and quoted securities and its principal risks are therefore market related or currency related. A more detailed explanation of these risks and the way this is managed are contained in note 28 to the accounts. Other risks faced by the Group include the following:

External: any events or developments which can affect the general level of share prices including, for instance, terrorism, disease, inflation or deflation, economic recessions and movements in interest rates;

Key Staff: loss by the management of key staff could affect investment returns. The quality of the management team is a crucial factor in delivering good performance. There are training and development programs in place for employees and the recruitment and remuneration package has been developed in order to retain key staff;

Strategy: an inappropriate investment strategy including country and sector allocation, stock selection and the use of gearing could all lead to poor returns to shareholders. The Board regularly reviews strategy in relation to a range of issues including the balance between quoted and unquoted stocks, the allocation of assets between geographic regions and industrial sectors and gearing. Periodically the Board holds a separate meeting devoted to strategy, the most recent one being in June 2012;

Regulatory: breach of regulatory rules could lead to suspension of the Company's London Stock Exchange listing, financial penalties or a qualified audit report. The Investment Manager, working closely with the Administrator, monitors the Company's compliance with the Listing Rules of the UK Listing Authority and compliance with the principal rules is reviewed by the Directors at each Board Meeting and Appleby (Bermuda) Limited is Bermuda legal adviser to the Company;

Operational: failure of the Investment Manager's or the Administrator's systems, or those of third party providers could lead to an inability to provide accurate reporting. The Board reviews operational issues at each Board Meeting and the Audit Committee receives reports on the operation of internal controls, as explained in more detail within Internal Controls on pages 28 and 29;

Financial: inadequate controls by the Investment Manager or Administrator or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations. The Board reviews financial reports in detail at each Board Meeting; and

Banking: a breach of the Company's loan covenants might lead to funding being summarily withdrawn. At each Board meeting the Board reviews compliance with the banking covenants.

Directors

The Company's Board of Directors is responsible for overall stewardship of the Company, including corporate strategy, corporate governance, risk and controls assessment, overall investing policy and gearing limits. Details of the Directors can be found on page 18.

Both Mr Alexander Zagoreos and Mr Garry Madeiros will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election (Resolutions 4 and 5).

The Board has considered the re-election of Mr Zagoreos and Mr Madeiros. Following an appraisal of their performance, the Board believes that these Directors should be put forward for re-election. The Board feels that both Directors make a valuable contribution based on their individual skills, knowledge and experience. They have commitment to their roles and the Board believes that their re-election would be in the interests of the Company.

Mr Charles Jillings, who was an Executive Director of the Company, stood down from the Board of the Company on 1 March 2012. This move, which is in line with corporate governance best practice of a fully independent board, follows the migration by the Company from AIM to a premium listing on the Official List of the UK Listing Authority in October 2011. Mr Jillings remains an employee of the Company and will focus on his investment management role with ICM Limited, the Company's Investment Manager.

Each Director has signed a letter of appointment setting out the terms of their engagement as a Director, but does not have a service agreement with the Company.

Directors' Remuneration and Shareholdings

The Directors' Remuneration Report, which can be found on page 30, contains detailed information on the remuneration arrangements for Directors of the Company. Shareholders will be asked to approve the Directors' Remuneration Report at the Annual General Meeting (Resolution 3). The Directors' remuneration is not conditional upon the resolution being passed.

The Directors who held office at the year end and their interests in the ordinary shares of the Company as at the year-end are set out below:

	2012 Ordinary Shares	2011 Ordinary Shares
A E Zagoreos	**433,147**	408,298
C D O Jillings[1]	**Not applicable**	433,216
G A Madeiros	**160,322**	137,435
A Y T Muh	**24,781**	7,847
K J O'Connor	**473,653**	455,671

(1) Resigned as a Director on 1 March 2012

Management

During the year under review, the Company and the Investment Manager agreed that the Investment Manager would no longer provide the services of an Executive Director, as referred to earlier, and the Investment Manager would assume the responsibility for providing company secretarial services to the Company (in place of F&C Management Limited) with effect from 1 March 2012.

As a consequence of these changes and to reflect the transfer of the Company from trading on AIM to listing on the Main Market of the London Stock Exchange, the Company has entered into a new investment management agreement dated 19 March 2012 (the "Agreement") with ICM Limited. The Investment Manager provides investment management services including portfolio monitoring and research to the Company and is entitled to receive a fee equal to 0.5% per annum of the Company's gross assets after deducting current liabilities (excluding borrowings incurred for investment purposes), payable quarterly in arrears. The Investment Manager will also be reimbursed for one-third of the costs of employing a company secretary and its reasonable out of pocket expenses, including travel and related costs. The Agreement may be terminated by either party by giving not less than six months' notice in writing (or such lesser notice period as agreed by both parties).

The Investment Manager may also become entitled to a performance-related fee, details of which can be found in note 3 to the accounts.

Under the terms of the Agreement, ICM is obliged to provide the services of three individuals to act as employees of the Company and provide a company secretary. The remuneration paid to the employees is paid on behalf of the Company and deducted from ICM's management fee.

The Directors review the activities of the Investment Manager on an on-going basis. In addition, the Management Engagement Committee carries out a formal annual review of the investment strategy, process and performance. Such a review was carried out in respect of the year under review, when the Company entered into the new agreement. The Management Engagement Committee reported that it was satisfied with the Investment Manager's performance and with the way the Company was currently being managed. Based on this assessment, it is the Board's opinion that the continuing appointment of ICM as Investment Manager on the agreed terms is in the interests of shareholders as a whole.

Administration

Following the transfer of the company secretarial function from F&C Management Limited to ICM, the Company and the Investment Manager entered into a new administration agreement with F&C Management Limited (the "Administrator"), dated 19 March 2012, under which the Administrator continues to provide financial and general administrative services to the Company for a fee, payable monthly in arrears, of £210,000 per annum. The Administrator and any of its delegates are also entitled to reimbursement of certain expenses incurred by it in connection with its duties. The Company or the Administrator may terminate this agreement upon six months' notice in writing.

Share Capital

As at 31 March and 8 June 2012 the issued share capital of the Company and the total voting rights were 215,528,793 ordinary shares of 10p each. Full details of changes to the Company's authorised and issued share capital during the year can be found in note 18 to the accounts.

At the last AGM, the Company was granted authority to make market purchases of up to 14.99% of its ordinary shares. During the year under review 3,068,441 ordinary shares were bought back for cancellation.

Substantial Share Interests

As at 31 March 2012, the Company had received notification of the following holdings of voting rights:

	Number of Ordinary Shares held	% held
Utilico Investments Limited	59,259,303	27.5%
F&C Asset Management plc	22,800,452	10.6%
Investec Wealth & Investment Limited[1]	17,210,539	7.9%
Lazard Asset Management LLC	15,136,109	7.0%
Rathbone Stockbrokers	10,728,364	5.0%
J O Hambro Investment Management Ltd	8,861,315	4.1%
Sarasin Investment Management Ltd	7,380,200	3.4%

(1) formerly Rensburg Sheppards Investment Management Ltd

In the period to 8 June 2012, the Company received notification from Investec Wealth & Investment Limited that its holding of voting rights had reduced to 15,083,578 ordinary shares, 6.99% of the voting rights.

Bye-Laws of the Company

At a Special General Meeting held on 4 October 2011, shareholders approved the adoption of new Bye-Laws for the Company, prior to it being admitted to listing on the Main Market of the London Stock Exchange.

Duration of the Company

At the Special General Meeting, held in October 2011, shareholders also approved that the Company should continue in being as currently constituted, noting that the new Bye-Laws provide for a continuation vote to be put to shareholders at the annual general meeting to be held in 2016 and at every fifth annual general meeting thereafter. If that resolution is not passed at any such meeting, the Directors will be required to formulate proposals to put to shareholders to wind-up, reorganise or reconstruct the Company.

Tender Facility

At the Directors' discretion, the Company can operate a Tender Facility subject to certain limitations. The Tender Facility is not expected to be made available in circumstances where the annual compound growth rate of the Company's Gross Assets exceeds 10% or where the Company's performance exceeds the benchmark index by 15% or more in the relevant period. The maximum number of ordinary shares which may be tendered pursuant to the Tender Facility in any financial year will be limited to 12.5% of the ordinary shares in issue at the commencement of the relevant financial year, with any excess tender requests being scaled back pro-rata.

The Tender Facility has not been operated to date.

Dividend Reinvestment Scheme

The Company currently operates a Dividend Reinvestment Plan. If shareholders wish to participate further details are available on the Company's website www.uem.bm.

Individual Savings Account (ISA)

The Company's ordinary shares are eligible for inclusion in an ISA.

Policy on Payment of Suppliers

The Company's principal suppliers are the Investment Manager and the Administrator. The Investment Manager is paid management fees quarterly in arrears in accordance with the terms of the Agreement. The Administrator is paid monthly in arrears. Investment creditors are settled in accordance with the terms and conditions of the relevant markets in which they operate. Other suppliers are paid in accordance with the individual payment terms agreed with each supplier.

Auditors

The Auditors have indicated their willingness to continue in office and a resolution concerning their reappointment and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The Auditors provide some non-audit services to the Company, the details of which are set out in note 4 to the accounts.

In keeping with FRC guidance the Board will be re-tendering the audit during the course of the current year. Grant Thornton will be invited to re-tender.

Going Concern

The Directors believe that it is appropriate to adopt the going concern basis in preparing the accounts as the Company has adequate resources to continue in operation for the foreseeable future and its assets consist mainly of securities that are readily realisable.

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with shareholders. The Investment Manager holds meetings with the Company's largest shareholders and reports back to the Board on these meetings. The Chairman and other Directors are available to discuss any concerns with shareholders if required.

Annual General Meeting

The Company's Annual General Meeting will be held on 18 September 2012. The notice of meeting is set out on pages 65 and 66. The following information to be discussed at the forthcoming Annual General Meeting is important and requires your immediate attention. If you are in doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended).

If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents, including the form of proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting.

Resolutions 8 and 9 Authorised share capital

At the present time the Company only has ordinary shares of par value GBP 0.10 each in issue but the authorised share capital is shown in its Bye-Laws as being GBP 135,001,000 divided into 1,074,767,809 ordinary shares of par value GBP 0.10 each, 55,000,000 ordinary shares of par value GBP 0.50 each, 3,000,000 ordinary shares of par value GBP 0.005 each and 9,219,100 ordinary shares of par value GBP 0.001 each.

It is proposed that the authorised share capital be simplified, and the Bye-Laws be amended to describe the authorised share capital as being GBP 135,001,000 divided into 1,350,010,000 ordinary shares of par value GBP 0.10 each.

Resolution 8 is required to redesignate (either by consolidation or sub-division) the other share classes, whilst Resolution 9 is required to reflect the revised share capital in the Company's Bye-laws.

Resolution 10 Authority for the Company to purchase its own shares

Resolution 10 authorises the Company to purchase in the market initially up to a maximum of 32,307,766 ordinary shares (equivalent to approximately 14.99% of the issued ordinary shares as at the date of this Report). This authority will expire on 17 December 2013 unless it is varied, revoked or renewed prior to that date, at the Company's Annual General Meeting in 2013, or at any other general meeting by ordinary resolution. Any purchases will be made at prices below the prevailing net asset value per ordinary share. Such purchases are regarded as investment decisions. The maximum price to be paid will be no more than 5% above the average of the mid-market values of the ordinary shares for the five business days immediately before the date of purchase. Any ordinary shares purchased by the Company may be held in treasury or cancelled.

The Directors consider that it would be advantageous to shareholders for the Company to have the authority to make such purchases as and when it considers the timing to be favourable. However, use of this authority, if given, will ultimately depend upon market conditions and the Board's judgement of its likely effectiveness in increasing net asset value and/or reducing the discount.

It is proposed that any purchase of shares would be funded from the Company's own cash resources or, if appropriate, from short-term borrowings.

The Board intends to seek a renewal of such authority at subsequent Annual General Meetings.

Resolution 11 Disapplication of pre-emption rights

Following the adoption of the new Bye-Laws in October 2011, Bye-law 4A provides that, unless otherwise determined by a special resolution, the Company is not able to allot ordinary shares for cash without offering them to existing Shareholders first in proportion to their shareholdings. Resolution 11 will grant the Company authority to dis-apply these pre-emption rights in respect of up to £2,155,287 of relevant securities in the Group (equivalent to 21,552,870 ordinary shares of 10p each, representing 10% of its ordinary shares in issue as at 8 June 2012). This will allow the Company flexibility to issue further ordinary shares for cash without conducting a rights issue or other pre-emptive offer.

Resolution 11 will require the approval of a 75% majority of votes cast in respect of it. New ordinary shares will not be issued pursuant to this authority at less than the prevailing net asset value per ordinary share at the date of issue, after taking into account any costs incurred by the Company in connection with such issue.

Recommendation

The Board considers the resolutions to be proposed at the Annual General Meeting to be in the best interests of the Group and its shareholders as a whole. Accordingly, the Directors recommend that shareholders should vote in favour of the resolutions to be proposed at the AGM.

By order of the Board
ICM Limited, Secretary
8 June 2012

This Corporate Governance statement is incorporated by reference into the Report of the Directors.

Bermuda does not have its own corporate governance code. As a Bermuda incorporated company with a premium listing on the Official List, however, the Company is required to comply with the UK Combined Code on Corporate Governance issued by the Financial Reporting Council. The Board has considered the principles and recommendations of the AIC Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

The Board considers that reporting consistent with the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below. The UK Corporate Governance Code includes provisions relating to:

- The role of the chief executive
- Executive directors' remuneration
- The need for an internal audit function

For the reason set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of Utilico Emerging Markets Limited, being a Bermuda incorporated investment company, with an external investment manager. The Company has therefore not reported further in respect of these provisions.

In view of the requirement of the Bye-Laws that all Directors retire by rotation, the Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by the AIC Code. In addition, the Board has considered provision B.7.2 in the UK Corporate Governance Code issued by the Financial Reporting Council published in June 2010 recommending that all directors of FTSE 350 companies should be subject to annual re-election. The Board believes that the current election system, with each Director being re-elected to the Board at least every three years or re-elected annually if they have served more than nine years, is sufficient, as there could be risks in respect of continuity and stability on the Board with annual re-elections.

The Company does not have a Nomination Committee.

The Board

The Directors' biographical details on page 18 of this report demonstrate the wide range of skills and experience that the Directors bring to the Board. The Chairman and all the Directors at the year-end are deemed to be independent of the Company's Investment Manager. The Directors have each signed a letter of appointment to formalise in writing the terms of their engagement as independent Directors. Copies of these letters are available for inspection at the Company's registered office (see page 68) during normal business hours and will also be available at the Annual General Meeting.

As mentioned above, one third of the Board, rounded up, is subject to retirement by rotation each year. In addition, all Directors are required to submit themselves for re-election at least every three years, with Directors who have served for more than nine years submitting themselves for re-election annually.

The Board, with only four Directors, operates without a Nomination Committee. The Directors recognise the value of progressive refreshing of, and succession planning for, company boards. The Directors regularly review the structure of the Board, including the balance of expertise and skills brought by individual Directors. The Board is of the view that length of service does not necessarily compromise the independence or contribution of Directors of an investment company, where continuity and experience can add significantly to the strength of the Board. This is supported by the views on independence expressed in the AIC Code. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed. The Board has put in place a policy whereby Directors who have served for nine years or more will be subject to annual re-election.

Appointments of new Directors will be made on a formalised basis with the Chairman agreeing in conjunction with his colleagues a job specification and other relevant selection criteria, and the methods of recruitment (where appropriate using an external recruitment agency), selection and appointment. The potential Director will meet with Board members prior to formal appointment. An induction process will be undertaken with new appointees to the Board being given a full briefing on the workings and processes of the Company and the management of the Company by the Chairman, the Investment Manager, the Secretary and other appropriate persons. They will also be issued with a Directors' Handbook, which details relevant information on the Company, and other key documentation. All appointments are subject to subsequent confirmation by shareholders in general meetings.

The AIC Code provides that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. In order to review its effectiveness, the Board carries out a process of formal self-appraisal. The Directors consider how the Board functions as a whole and also reviews the individual performance of its members and their independence of the Investment Manager. This process is conducted by the Chairman reviewing individually with each of the Directors their performance, contribution and commitment to the Company and the possible further development of skills. In addition, the Deputy Chairman reviews the performance of the Chairman with the other independent Directors, taking into account the views of the Investment Manager and of Mr C Jillings. The relevant points arising from these meetings are then reported to, and discussed by, the Board as a whole. This process has been carried out in respect of the year under review and will be conducted on an annual basis. The Board confirms that the performance of each of the Directors continues to be effective and demonstrates commitment to the role and recommends to shareholders the approval of Resolutions 4 and 5 contained in the Notice of Meeting in relation to those Directors seeking re-election, being Mr Zagoreos and Mr Madeiros.

It is not felt appropriate currently to employ the services of, or to incur the additional expense of, an external third party to conduct the evaluation process as an appropriate process is in place; this will, however, be kept under review.

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature are determined by the Board. A formal schedule of matters reserved for the decision of the Board has been adopted. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. The Board meets at least quarterly and at each meeting reviews investment performance as well as other high-level management information including financial reports and reports of a strategic nature. It monitors compliance with the Company's objectives and is directly responsible for investing policy and approving asset allocation and gearing. Additional Board and Committee meetings are held on an ad hoc basis to consider particular issues as they arise.

The quorum for any Board meeting is two Directors, however attendance by all Directors at each meeting is strongly encouraged. The following table sets out the number of meetings (including Committee meetings) held during the year under review and the number of meetings attended by each Director. The telephonic Committee meetings were held on short notice to consider various matters, including the finalisation of the move by the Company to the Main Market of the London Stock Exchange.

	Board	TCtee	AC	MEC	RC
No. of meetings	4	2	2	1	1
A E Zagoreos	4	1	2	1	1
C D O Jillings *	4	1	2	1	1
G A Madeiros	3	1	1	1	1
A Y T Muh	4	-	2	1	1
K J O'Connor	4	-	2	1	1

* TCtee = Telephonic Committee; AC = Audit Committee; MEC = Management Engagement Committee; RC = Remuneration Committee.

* Mr Jillings invited to attend the AC, MEC and RC at the Committee's invitation. Mr Jillings resigned as a Director on 1 March 2012.

The Board has established a procedure whereby Directors wishing to do so in the furtherance of their duties may take independent professional advice or training at the Company's expense.

The Corporate Company Secretary ("the Company Secretary") is responsible to the Board, inter alia, for ensuring that Board and Committee procedures are followed and applicable regulations are complied with. The Board has direct access to the advice and services of the nominated representative of the Company Secretary. The Company Secretary was F&C Management Limited until 29 February 2012 and has been ICM Limited since that date.

During the year, the Board has maintained appropriate Directors' and Officers' liability insurance cover.

Management and administration

The Company has a Management Agreement with ICM, which provides portfolio monitoring, research and other investment management services and company secretarial services to the Company. Under the terms of this Agreement, ICM provides the services of employees as detailed on page 17 of this report.

The provision of accounting, dealing and administration services has been delegated to the Administrator, F&C Management Limited.

The terms of the Investment Management and Administration Agreements are set out in note 3 to the accounts.

The operation of custodial services has been delegated to JPMorgan Chase Bank and Bermuda Commercial Bank Limited.

Audit Committee

The Board has appointed an Audit Committee. The Audit Committee, which is chaired by Mr G A Madeiros, operates within written terms of reference clearly setting out its authority and duties. Copies of the terms of reference are available on the Company's website at www.uem.bm.

The Audit Committee is comprised of Directors who are considered by the Board to be independent of management and will meet at least twice a year. It is considered that there is a range of recent and relevant financial experience amongst the members of the Audit Committee.

The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual and Interim Accounts, the system of internal controls and the terms of appointment of the auditor together with their remuneration. It also ensures that auditor objectivity and independence is safeguarded in the provision of non-audit services by the auditor. It provides a forum through which the auditor may report to the Board of Directors. Non-audit fees amounted to £37,000 for the year ended 31 March 2012 (2011: £13,000) and related mainly to a review in connection with the move of the Company's shares to the Main Market; more details are included in note 4 to the accounts. Notwithstanding such services, the Audit Committee considers Grant Thornton UK LLP to be independent of the Group and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit.

A "whistle blowing" policy has been put into place for employees of the Company and of the Investment Manager, under which they may, in confidence, raise concerns about any possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company. This policy will be reviewed from time to time by the Audit Committee. The Audit Committee will also review the "whistle blowing" policy that has been put into place by F&C Management Limited as Administrator of the Company for use by its staff. The Company operates a "zero tolerance" policy with regard to bribery, as does its Investment Manager and the Administrator.

The Audit Committee has access to the internal audit, risk and compliance director of the Administrator and to the Administrator's group audit committee, and reports its findings to the Board.

The Board retains ultimate responsibility for all aspects relating to the annual and interim accounts and other significant published financial information.

Auditor

The Audit Committee has direct access to the auditor, Grant Thornton UK LLP. The auditor attends the Audit Committee meeting to review the annual results and provide a comprehensive review of the audit of the Company. The Audit Committee also has the opportunity to meet with the auditor without management being present.

The Audit Committee, together with the Investment Manager, has reviewed the audit plan and findings of the work carried out by Grant Thornton UK LLP for the audit of the annual accounts. On the basis of this and their experience in reviewing the affairs of the Company, the Audit Committee has assessed and is satisfied with the effectiveness of the external audit. The Audit Committee has taken into account the standing, experience and tenure of the audit partner, the nature and level of services provided and has received confirmation that the auditors have complied with all relevant and professional regulatory and independence standards. The Audit Committee considers Grant Thornton UK LLP to be independent of the Group, the Investment Manager and the Administrator in all respects.

Management Engagement Committee

The Board has appointed a Management Engagement Committee, chaired by Mr A E Zagoreos, which operates within written terms of reference clearly setting out its authority and duties. Copies of the terms of reference are available on the Company's website.

The Management Engagement Committee is comprised of the independent Directors of the Company and will meet at least once a year. The Management Engagement Committee will review annually the performance of, and fee paid to, the Investment Manager for the services provided under the Investment Management Agreement, together with the fee and other terms of that Agreement.

Internal Controls and Management of Risk

The Board has overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness and ensuring that the risk management and control processes are embedded in day-to-day operations. These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable. Typical areas of risk material to investment companies in general, and which have been identified and are monitored as part of the control process, include excessive gearing, inappropriate long-term investment strategy, asset allocation and loss of management personnel.

Control of the risks identified, covering financial, operational, compliance and overall risk management, is exercised by the Board through regular reports provided by the Investment Manager on investment performance, performance attribution and other management issues. The Board has agreed with the Investment Manager the investment policy and restrictions under which the Investment Manager operates and the Investment Manager reports on compliance with this at every meeting. The Board also receives quarterly control reports from the Administrator and the Investment Manager that provide details of any known internal control failures. These reports incorporate a risk table that identifies the key risks to which the Company is exposed and the controls in place to mitigate them. These include risks for which the monitoring has been delegated to third party providers as well as those risks that are not directly the responsibility of the Investment Manager or the Administrator.

It is the management's role to monitor and manage the Company's exposure to the risks associated with GERP and UEM Mauritius. The Board receives quarterly reports from the Investment Manager on investment performance in GERP and UEM Mauritius and the controls operated in respect of investments and cash are reviewed at each Audit Committee meeting.

The Administrator produces an annual Report of Internal Corporate Governance to the standards of the Assurance reports on internal controls of service organisations made available to third parties (AAF 01/06) issued by the Institute of Chartered Accountants in England and Wales for its clients. This sets out the control policies and procedures with respect to the duties carried out by the Administrator on the Company's behalf. The effectiveness of these controls is monitored by the Administrator's group audit and risk and compliance committee, which receives regular reports from the Administrator's internal audit and risk and compliance departments. The Company's Audit Committee has received and reviewed the Statement for the year ended 31 December 2011, together with a report from the Administrator's group audit and risk and compliance committee on the effectiveness of the internal controls maintained on behalf of the Company.

The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement, loss or fraud.

In common with most investment companies, the Company does not have an internal audit function. All of the Company's management functions are delegated to the Investment Manager and Administrator, whose controls are monitored by the Board and which include audit and risk assessment. It is therefore felt that there is no need for the Company to have its own internal audit function. However, this will be reviewed annually by the Audit Committee. Action will be taken to remedy any significant failings or weakness identified from the review of the effectiveness of the internal control system.

Remuneration Committee

The Company's Remuneration Committee is comprised of all of the independent Directors and is chaired by Mr K J O'Connor. It operates within written terms of reference setting out its authority and duties. Copies of the terms of reference are available on the Company's website.

The Remuneration Committee is responsible for reviewing and making recommendations to the Board in respect of the fees of Directors. Full details of the remuneration for individual Directors are set out in the Directors' Remuneration Report on page 30. In previous years, the Remuneration Committee was also responsible for reviewing the terms of the service agreement with and salary paid to, Mr C D O Jillings.

Investor Relations

Communication with shareholders is given a high priority. The Company's annual report and accounts, containing a detailed review of performance and the investment portfolio, is sent to all shareholders. At the half year stage, an interim report, containing updated information in a more abbreviated form, is also sent to all shareholders. Updated information, including details of the current portfolio and a commentary (updated monthly) is also available on the Company's website.

Details of the Company's ten largest investments are published monthly and in this report; a full list of investments is not published.

Shareholders wishing to communicate with the Chairman, the Deputy Chairman (who acts as Senior Independent Director) or other members of the Board may do so by writing to the Company at its registered office address, which can be found on page 68.

Although the Annual General Meeting is to be held in China, all shareholders are invited to attend the Annual General Meeting, at which shareholders will be given an opportunity to question the Chairman and the Board. The Chairman and the Deputy Chairman are also available to discuss any concerns with the Company's institutional shareholders between such meetings. Proxy voting figures are announced to shareholders at the Annual General Meeting.

Corporate Governance, Socially Responsible Investment and Voting Policy

The Company has developed a policy on corporate governance, socially responsible investment and voting. The Company believes that the interests of its shareholders are served by investing in companies that adopt best practice in corporate governance and social responsibility. Where the Investment Manager becomes aware that best practice in corporate governance and social responsibility is not followed, the Company will encourage changes towards this goal.

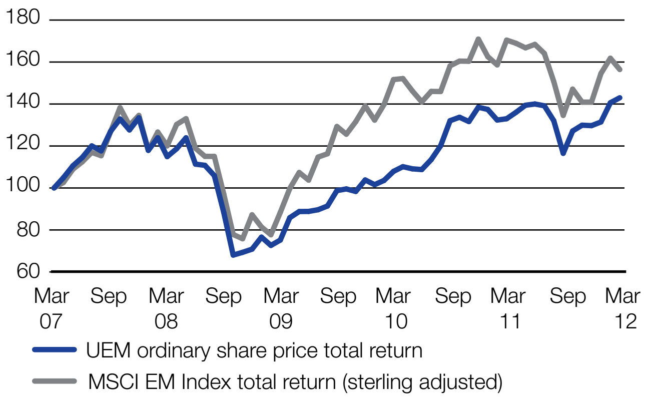
It is the Company's policy to exercise its voting rights at shareholder meetings of investee companies. The Company supports the boards of investee companies with its vote unless it sees clear investment reasons for doing otherwise.

Remuneration Committee

The Board has appointed a Remuneration Committee to review and make recommendations to the Board on the remuneration of the Directors. The Remuneration Committee comprises the independent Directors of the Company and meets annually or more frequently as required.

The performance of the Company over the last five years, as illustrated by its share price total return, is set out below.

From 31 March 2007 to 31 March 2012
(rebased to 100 at 31 March 2007)



Source: Utilico Emerging Markets Limited

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested.

The Company's Bye-Laws limit the aggregate fees payable to the Directors to a total of £200,000 per annum. Subject to this overall limit, it is the Company's policy to determine the remuneration of the Directors having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs.

Directors receive their remuneration in the form of shares in the Company. Further details on the calculation of the number of shares due to each Director are given in note 1(j) to the accounts.

None of the independent Directors has a service agreement, but each has signed a letter of appointment setting out the terms of their engagement as independent Directors. Mr C D O Jillings stood down as a Director of the Company on 1 March 2012; he remains an employee of the Company.

The fees paid to the Chairman and other Directors were increased with effect from 1 April 2011. In the year under review, the Chairman was entitled to a fee of £38,000 and the other Directors to a fee of £27,500, both on an annualised basis. The Chairman of the Audit Committee, Mr G A Madeiros, receives an additional £7,500 per annum. The Board has agreed that additional fees may be paid to the Directors for services over and above those normally required as non-executives. No such payments were made in the year under review.

No element of the Directors' remuneration is performance-related.

No Director past or present has any entitlement to pensions, other benefits in kind or any other non-cash benefit. The Company has not awarded any share options or long-term performance incentives to any of the Directors.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

Remuneration for Qualifying Services

Director	2012 Entitlement(1) £'000s	2011 Entitlement(1) £'000s
A E Zagoreos (Chairman)	**38.0**	35.0
C D O Jillings(2)	**25.2**	25.0
G A Madeiros(3)	**35.0**	32.5
G P D Milne(4)	**–**	14.3
A Y T Muh	**27.5**	10.7
K J O'Connor (Deputy Chairman)	**27.5**	25.0
Total	**153.2**	142.5

(1) The Directors' entitlement to fees is calculated quarterly in arrears as set out in note 1(j) on page 41.
(2) Mr C D O Jillings resigned as a Director of the Company on 1 March 2012.
(3) Mr G A Madeiros' fee includes entitlement of £7,500 (2011: £7,500) for being Chairman of the Audit Committee.
(4) Mr G P D Milne resigned as a Director of the Company on 26 October 2010.

The information in the above table has been audited (see the Independent Auditor's Report on page 32).

By order of the Board
ICM Limited, Secretary
8 June 2012

DIRECTORS' STATEMENT OF RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and accounts in accordance with applicable Bermuda law and IFRSs, as adopted by the European Union.

The Directors are required to prepare accounts for each financial year which present fairly the financial position, financial performance and cash flows of the Group and of the Company for that year. In preparing the accounts the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRSs have been followed, subject to any material departure disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with Bermuda law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

To the best of the knowledge of the Directors: (i) the accounts which have been prepared in accordance with IFRS, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company, its Mauritian subsidiary, and its special purpose entity included in the consolidation; (ii) the Chairman's Statement and Investment Manager's report includes a fair review of the development and performance of the Company and the Report of the Directors contains a description of the principal risks and uncertainties that the Group and Company faces. The financial risks are also provided in note 28 to the accounts.

Insofar as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all reasonable steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Annual Report and accounts are published on the Company's website, www.uem.bm, the maintenance and integrity of which is the responsibility of the Company. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of the website and accordingly, the Auditors accept no responsibility for any changes that have occurred in the accounts since they were originally presented on the website. Visitors to the website need to be aware that the legislation governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

Approved by the Board on 8 June 2012 and signed on its behalf by:

Alexander Zagoreos
Chairman

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF UTILICO EMERGING MARKETS LIMITED

We have audited the accounts of Utilico Emerging Markets Limited for the year ended 31 March 2012 which comprise the Group and Company statements of comprehensive income, the Group and the Company statements of change in equity, the Group and the Company balance sheets, the Group and the Company statements of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In addition to our audit of the accounts, the Directors of Utilico Emerging Markets Limited have engaged us to report as to whether the information in the directors' remuneration report, described as having been audited, has been properly prepared in accordance with the United Kingdom Companies Act 2006 and the related regulations, as if those requirements were to apply to the Company.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 90(2) of the Companies Act 1981 of Bermuda. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the Directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information on the inside cover to page 31 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the accounts

In our opinion:

- the accounts give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2012 and of the Group's and the Company's profit for the year then ended;
- the accounts have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the accounts have been properly prepared in accordance with the Companies Act 1981 of Bermuda.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where under the Listing Rules, we are required to review:

- the directors' statement, set out on page 24, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on directors' remuneration.

Opinion on other matters

In our opinion the part of the Directors' Remuneration Report, which we were engaged to audit, has been properly prepared in accordance with the United Kingdom Companies Act 2006, as if those requirements were to apply to Utilico Emerging Markets Limited.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London
8 June 2012

GROUP STATEMENT OF COMPREHENSIVE INCOME

Notes	for the year to 31 March	2012 Revenue return £'000s	2012 Capital return £'000s	2012 Total return £'000s	2011 Revenue return £'000s	2011 Capital return £'000s	2011 Total return £'000s
9	Gains and losses on investments	–	9,404	9,404	–	70,427	70,427
12	Gains and losses on derivative instruments	–	(3,248)	(3,248)	–	(5,461)	(5,461)
	Exchange gains and losses	–	(475)	(475)	–	(433)	(433)
2	Investment and other income	12,710	–	12,710	15,190	–	15,190
	Total income	12,710	5,681	18,391	15,190	64,533	79,723
3	Management and administration fees	(777)	(1,049)	(1,826)	(773)	(7,790)	(8,563)
4	Other expenses	(1,758)	(29)	(1,787)	(963)	(26)	(989)
	Profit before finance costs and taxation	10,175	4,603	14,778	13,454	56,717	70,171
5	Finance costs	(560)	(1,307)	(1,867)	(547)	(1,277)	(1,824)
	Profit before taxation	9,615	3,296	12,911	12,907	55,440	68,347
6	Taxation	(723)	(729)	(1,452)	(951)	(805)	(1,756)
	Profit for the year	8,892	2,567	11,459	11,956	54,635	66,591
7	**Earnings per ordinary share (basic) – pence**	4.12	1.19	5.31	5.61	25.63	31.24
7	**Earnings per ordinary share (diluted) – pence**	n/a	n/a	n/a	5.50	25.13	30.63

The total column of this statement represents the Group's Income Statement and the Group's Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies in the UK.

The Group does not have any income or expense that is not included in the profit for the year, and therefore the 'profit for the year' is also the 'total comprehensive income for the year', as defined in International Accounting Standard 1 (revised).

All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of the Company. There are no minority interests.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

Notes	for the year to 31 March	2012 Revenue return £'000s	2012 Capital return £'000s	2012 Total return £'000s	2011 Revenue return £'000s	2011 Capital return £'000s	2011 Total return £'000s
9	Gains and losses on investments	–	4,445	4,445	–	63,852	63,852
12	Gains and losses on derivative instruments	–	1,437	1,437	–	1,078	1,078
	Exchange gains and losses	–	(273)	(273)	–	(418)	(418)
2	Investment and other income	12,710	–	12,710	15,190	–	15,190
	Total income	12,710	5,609	18,319	15,190	64,512	79,702
3	Management and administration fees	(777)	(1,049)	(1,826)	(773)	(7,790)	(8,563)
4	Other expenses	(1,686)	(29)	(1,715)	(942)	(26)	(968)
	Profit before finance costs and taxation	10,247	4,531	14,778	13,475	56,696	70,171
5	Finance costs	(560)	(1,307)	(1,867)	(547)	(1,277)	(1,824)
	Profit before taxation	9,687	3,224	12,911	12,928	55,419	68,347
6	Taxation	(723)	(729)	(1,452)	(951)	(805)	(1,756)
	Profit for the year	8,964	2,495	11,459	11,977	54,614	66,591
7	**Earnings per ordinary share (basic) – pence**	4.15	1.16	5.31	5.62	25.62	31.24
7	**Earnings per ordinary share (diluted) – pence**	n/a	n/a	n/a	5.51	25.12	30.63

The total column of this statement represents the Company's Income Statement and the Company's Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies in the UK.

The Company does not have any income or expense that is not included in the profit for the year, and therefore the 'profit for the year' is also the 'total comprehensive income for the year', as defined in International Accounting Standard 1 (revised).

All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of the Company.

GROUP STATEMENT OF CHANGES IN EQUITY

for the year to 31 March 2012

Notes		Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Other non-distributable reserve £'000s	Retained earnings: Capital reserves £'000s	Retained earnings: Revenue reserve £'000s	Total £'000s
	Balance at 31 March 2011	21,860	12,136	204,587	11,093	128,906	4,569	383,151
	Profit for the year	–	–	–	–	2,567	8,892	11,459
8	Ordinary dividends paid	–	–	–	–	–	(11,207)	(11,207)
	Shares purchased by the Company	(307)	(4,626)	–	–	–	–	(4,933)
	Balance at 31 March 2012	**21,553**	**7,510**	**204,587**	**11,093**	**131,473**	**2,254**	**378,470**

for the year to 31 March 2011

Notes		Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Warrant reserve £'000s	S share reserve £'000s	Other non-distributable reserve £'000s	Retained earnings: Capital reserves £'000s	Retained earnings: Revenue reserve £'000s	Total £'000s
	Balance at 31 March 2010	20,331	–	206,394	8,089	8,729	994	72,378	2,967	319,882
	Profit for the year	–	–	–	–	–	–	54,635	11,956	66,591
8	Ordinary dividends paid	–	–	–	–	–	–	–	(10,354)	(10,354)
	Conversion of warrants and S shares	2,339	21,044	–	(5,144)	(4,955)	10,099	–	–	23,383
	Shares and warrants purchased by the Company	(810)	(8,908)	(1,807)	(2,945)	(3,774)	–	1,893	–	(16,351)
	Balance at 31 March 2011	21,860	12,136	204,587	–	–	11,093	128,906	4,569	383,151

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year to 31 March 2012

Notes		Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Other non-distributable reserve £'000s	Retained earnings: Capital reserves £'000s	Retained earnings: Revenue reserve £'000s	Total £'000s
	Balance at 31 March 2011	21,860	12,136	204,587	11,093	128,812	4,663	383,151
	Profit for the year	–	–	–	–	2,495	8,964	11,459
8	Ordinary dividends paid	–	–	–	–	–	(11,207)	(11,207)
	Shares purchased by the Company	(307)	(4,626)	–	–	–	–	(4,933)
	Balance at 31 March 2012	**21,553**	**7,510**	**204,587**	**11,093**	**131,307**	**2,420**	**378,470**

for the year to 31 March 2011

Notes		Ordinary share capital £'000s	Share premium account £'000s	Special reserve £'000s	Warrant reserve £'000s	S share reserve £'000s	Other non-distributable reserve £'000s	Retained earnings: Capital reserves £'000s	Retained earnings: Revenue reserve £'000s	Total £'000s
	Balance at 31 March 2010	20,331	–	206,394	8,089	8,729	994	72,305	3,040	319,882
	Profit for the year	–	–	–	–	–	–	54,614	11,977	66,591
8	Ordinary dividends paid	–	–	–	–	–	–	–	(10,354)	(10,354)
	Conversion of warrants and S shares	2,339	21,044	–	(5,144)	(4,955)	10,099	–	–	23,383
	Shares and warrants purchased by the Company	(810)	(8,908)	(1,807)	(2,945)	(3,774)	–	1,893	–	(16,351)
	Balance at 31 March 2011	21,860	12,136	204,587	–	–	11,093	128,812	4,663	383,151

BALANCE SHEETS

Notes	at 31 March	GROUP 2012 £'000s	GROUP 2011 £'000s	COMPANY 2012 £'000s	COMPANY 2011 £'000s
	Non-current assets				
9	Investments	**374,169**	403,026	**386,636**	403,098
	Current assets				
11	Other receivables	**9,641**	2,418	**2,221**	2,418
12	Derivative financial instruments	**6,836**	1,769	**–**	–
	Cash and cash equivalents	**387**	211	**226**	192
		16,864	4,398	**2,447**	2,610
	Current liabilities				
13	Bank loans	**–**	(10,231)	**–**	(10,231)
14	Other payables	**(3,849)**	(8,612)	**(3,824)**	(8,612)
12	Derivative financial instruments	**(1,925)**	(3,153)	**–**	(1,437)
		(5,774)	(21,996)	**(3,824)**	(20,280)
	Net current assets/(liabilities)	**11,090**	(17,598)	**(1,377)**	(17,670)
	Total assets less current liabilities	**385,259**	385,428	**385,259**	385,428
	Non-current liabilities				
15	Bank loans	**(4,381)**	–	**(4,381)**	–
16	Deferred tax	**(2,408)**	(2,277)	**(2,408)**	(2,277)
	Net assets	**378,470**	383,151	**378,470**	383,151
	Equity attributable to equity holders				
18	Ordinary share capital	**21,553**	21,860	**21,553**	21,860
19	Share premium account	**7,510**	12,136	**7,510**	12,136
20	Special reserve	**204,587**	204,587	**204,587**	204,587
23	Other non-distributable reserve	**11,093**	11,093	**11,093**	11,093
24	Capital reserves	**131,473**	128,906	**131,307**	128,812
24	Revenue reserve	**2,254**	4,569	**2,420**	4,663
	Total attributable to equity holders	**378,470**	383,151	**378,470**	383,151
25	**Net asset value per ordinary share**				
	Basic – pence	**175.60**	175.28	**175.60**	175.28

Approved by the Board on 8 June 2012 and signed on its behalf by

Alexander Zagoreos
Chairman

Garry Madeiros
Director

STATEMENTS OF CASH FLOWS

Notes		GROUP		COMPANY	
	for the year to 31 March	**2012**	2011	**2012**	2011
		£'000s	£'000s	**£'000s**	£'000s
26	Cash flows from operating activities	**21,435**	15,467	**21,090**	15,554
	Cash flows from investing activities	**–**	–	**–**	–
	Cash flows before financing activities	**21,435**	15,467	**21,090**	15,554
	Financing activities:				
	Ordinary dividends paid	**(11,207)**	(10,354)	**(11,207)**	(10,354)
	Movements from loans	**(6,058)**	(14,576)	**(6,058)**	(14,576)
	Cost of ordinary shares purchased	**(4,933)**	(11,525)	**(4,933)**	(11,525)
	Proceeds from warrants converted	**–**	18,497	**–**	18,497
	Proceeds from S shares converted	**–**	4,886	**–**	4,886
	Cost of warrants purchased	**–**	(3,612)	**–**	(3,612)
	Cost of S shares purchased	**–**	(1,214)	**–**	(1,214)
	Cash flows from financing activities	**(22,198)**	(17,898)	**(22,198)**	(17,898)
	Net movement in cash and cash equivalents	**(763)**	(2,431)	**(1,108)**	(2,344)
	Cash and cash equivalents at the beginning of the year	**(742)**	1,974	**(761)**	1,854
	Effect of movement in foreign exchange	**(268)**	(285)	**(65)**	(271)
	Cash and cash equivalents at the end of the year	**(1,773)**	(742)	**(1,934)**	(761)
	Comprised of:				
	Cash	**387**	211	**226**	192
	Bank overdraft	**(2,160)**	(953)	**(2,160)**	(953)
	Total	**(1,773)**	(742)	**(1,934)**	(761)

1. ACCOUNTING POLICIES

The Company is an investment company incorporated in Bermuda with a primary quotation on the London Stock Exchange.

The consolidated accounts for the year ended 31 March 2012 comprise the results of the Company, its subsidiary, Utilico Emerging Markets (Mauritius) and of the segregated account underlying the 'B' shares of Global Equity Risk Protection Limited ("GERP"), a special purpose entity ("SPE") incorporated in Bermuda (together referred to as the "Group"). Details of Uitilco Emerging Markets (Mauritius) and GERP are included in note 10 to the accounts. The SPE has a reporting year end of 30 June which is non-concurrent with that of UEM. GERP's financial results included within the consolidated accounts are those for the year to 31 March 2012.

(a) Basis of accounting

The accounts have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the IASB, and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect, and to the extent that they have been adopted by the European Union.

The accounts have been prepared on a historical cost basis, except for the measurement at fair value of investments and derivative financial instruments.

Where presentational recommendations set out in the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP"), issued in the UK by the Association of Investment Companies ("AIC") in January 2009, do not conflict with the requirements of IFRS, the Directors have prepared the accounts on a basis consistent with the recommendations of the SORP, in the belief that this will aid comparison with similar investment companies incorporated in the United Kingdom.

In accordance with the SORP, the Statement of Comprehensive Income has been analysed between a Revenue return (dealing with items of a revenue nature) and a Capital return (relating to items of a capital nature). Revenue returns include, but are not limited to, dividend income, operating expenses, finance costs and taxation (insofar as they are not allocated to capital, as described in notes 1(h) and 1(i) below). Net revenue returns are allocated via the revenue return to the Revenue Reserve.

Capital returns include, but are not limited to profits and losses on the disposal and the valuation of non-current investments, derivative instruments and on cash and borrowings, operating costs and finance costs (insofar as they are not allocated to revenue as described in note 1(i) below). Net capital returns are allocated via the capital return to Capital Reserves.

Dividends on ordinary shares may be paid out of Revenue Reserve and Capital Reserves.

At the date of authorisation of these accounts, the following standards and interpretations have not been applied in these accounts since they were in issue but not yet effective:

International Accounting Standards (IAS/IFRS)	Effective date for accounting periods starting on or after
IFRS 9 Financial Instruments	01 January 2015
IFRS 10 Consolidated Financial Statements	01 January 2013
IFRS 13 Fair Value Measurement	01 January 2013
IAS 28 (Revised), Investments in Associates and Joint Ventures	01 January 2013
Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets	01 January 2012

The Directors have chosen not to adopt these standards and interpretations early as they do not anticipate that they would have a material impact on the Company's accounts in the period of initial application. The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the valuation of unlisted investments, details of which are set out in accounting policy 1(d).

(b) Basis of consolidation

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Associated undertakings held as part of the investment portfolio (see 1(d) below and note 9) are, in accordance with IAS 28, Investments in Associates, not accounted for in the Group accounts using the equity method of accounting, but are carried at fair value through profit or loss and accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments

Financial Instruments include fixed asset investments, derivative assets and liabilities, and long-term debt instruments. Accounting Standards recognise a hierarchy of fair value measurements for Financial Instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of Instruments depends on the lowest significant applicable input, as follows:

Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Included within this category are investments listed on any recognised stock exchange or quoted on any secondary market.

Level 2 – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such Instruments would be those for which the quoted price has been recently suspended, forward exchange contracts and certain other derivative instruments.

Level 3 – External inputs are unobservable. Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar Instrument. Included in Level 3 are investments in private companies or securities, whether invested in directly or through pooled Private Equity vehicles.

(d) Valuation of investments and derivative instruments

Investment purchases and sales are accounted for on the trade date, inclusive of transaction costs. Investments used for efficient portfolio management are classified as being at fair value through profit or loss. As the Company's business is investing in financial assets with a view to profiting from their total return in the form of dividends, interest or increases in fair value, its investments are designated as being at fair value through profit or loss on initial recognition. Derivatives comprising forward exchange contracts, options and credit default swaps are accounted for as a financial asset/liability at fair value through profit or loss and are classified as held for trading. The Company manages and evaluates the performance of these investments and derivatives on a fair value basis in accordance with its investment strategy, and information about the Company is provided internally on this basis to the Company's Directors and key management personnel. Gains and losses on investments and on derivatives are analysed within the Statement of Comprehensive Income as capital return. Quoted investments are shown at fair value using market bid prices. The fair value of unquoted investments is determined by the Board. In exercising their judgement over the value of these investments, the Board uses valuation techniques which take into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values, earnings and other relevant factors. Traded options and similar derivative instruments are valued at open market prices.

(e) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and short term deposits with an original maturity of three months or less.

(f) Debt Instruments

The Company's debt instruments include short-term and long-term bank borrowings and overdrafts, initially measured at fair value and subsequently measured at amortised cost using the effective interest method. No debt instruments held during the year required hierarchical classification.

(g) Foreign currency

The functional and reporting currency is pounds sterling because that is the currency of the primary economic environment in which the Company operates. Foreign currency assets and liabilities are expressed in sterling at rates of exchange ruling at the balance sheet date. Foreign currency transactions are translated at the rates of exchange ruling at the dates of those transactions. Exchange profits and losses on currency balances are credited or charged to the Statement of Comprehensive Income and analysed as capital or revenue as appropriate. Forward foreign exchange contracts are valued in accordance with quoted market rates.

1. ACCOUNTING POLICIES (CONTINUED)

(h) Other income

Dividends receivable are analysed as revenue return within the Statement of Comprehensive Income (except where, in the opinion of the Directors, their nature indicates they should be recognised as capital return) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is allocated as revenue in the Statement of Comprehensive Income. Any excess in the value of the shares received over the amount of the cash dividend foregone is allocated as capital in the Statement of Comprehensive Income. Interest on debt securities is accrued on a time basis using the effective interest method. Bank and short-term deposit interest is recognised on an accruals basis.

(i) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the Statement of Comprehensive Income and analysed under revenue return except as stated below:

– the management fee and finance costs are allocated 70% to capital return and 30% to revenue return.

– expenses incidental to the acquisition or disposal of Investments are allocated to capital return.

– performance related management fees (calculated under the terms of the Investment Management Agreement) which are allocated to the capital return.

(j) Directors' fees

Directors' fees are charged quarterly through the revenue column of the Statement of Comprehensive Income. The fee entitlement of each Director is satisfied in ordinary shares of the Company, purchased in the market on behalf of, or issued to, each Director as soon as possible after each quarter end. The number of ordinary shares allocated is determined by dividing the entitlement by the lower of the market value and the fully diluted net asset value on the date of allocation.

(k) Finance costs

Finance costs are accounted for using the effective interest method, recognised through the Statement of Comprehensive Income.

(l) Dividends payable

Dividends paid by the Company are accounted for in the period in which the Company is liable to pay them and are reflected in the Statement of Changes in Equity.

(m) Special reserve

The Special reserve is a reserve used to purchase the Company's own shares, in accordance with the Companies Act 1981 of Bermuda, as amended, and with the Bye-laws of the Company.

(n) Capital reserves

The following items are accounted for through the Statement of Comprehensive Income as capital returns and transferred to capital reserves:

Capital reserve – arising on investments sold

– gains and losses on disposal of investments and derivative instruments
– exchange differences of a capital nature
– expenses allocated in accordance with note 1(i)

Capital reserve – arising on investments held

– increases and decreases in the valuation of investments and derivative instruments held at the year end.

NOTES TO THE ACCOUNTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(o) Warrant reserve

The imputed net proceeds on initial issue of warrants, based on the market value of the warrants on the first day of listing, were transferred out of share premium account to the warrant reserve. On conversion, or cancellation, the imputed net proceeds are transferred to a separate non-distributable reserve.

(p) S share reserve

The imputed net proceeds on initial issue of S shares, based on the market value of the subscription shares on the first day of listing, were transferred out of share premium account to the S share reserve. On conversion, or cancellation, the imputed net proceeds are transferred to a separate non-distributable reserve.

2. INVESTMENT AND OTHER INCOME

Group and Company	Revenue £'000s	Capital £'000s	2012 Total £'000s	Revenue £'000s	Capital £'000s	2011 Total £'000s
Investment income:						
Overseas dividends	**11,015**	**–**	**11,015**	14,754	–	14,754
Overseas and UK interest	**1,691**	**–**	**1,691**	427	–	427
	12,706	**–**	**12,706**	15,181	–	15,181
Other income						
Interest on cash and short-term deposits	**4**	**–**	**4**	9	–	9
Total income	**12,710**	**–**	**12,710**	15,190	–	15,190

3. MANAGEMENT AND ADMINISTRATION FEES

Group and Company	Revenue £'000s	Capital £'000s	2012 Total £'000s	Revenue £'000s	Capital £'000s	2011 Total £'000s
Payable to:						
ICM Limited ("ICM") – management fee	**566**	**1,320**	**1,886**	563	1,313	1,876
ICM – administration fees	**1**	**–**	**1**	–	–	–
ICM – performance fee in respect of relevant year	**–**	**–**	**–**	–	6,477	6,477
– performance fee adjustment in respect of prior period	**–**	**(271)**	**(271)**	–	–	–
F&C Management Limited – administration fee	**210**	**–**	**210**	210	–	210
	777	**1,049**	**1,826**	773	7,790	8,563

ICM Limited ("ICM") provides investment management services to the Company for a fee of 0.5% per annum, payable quarterly in arrears. The Agreement with ICM may be terminated upon six months notice.

The management fee is allocated 70% to capital return and 30% to revenue return (see note 1(i)). Included within the fees of £1,886,000 (2011: £1,876,000) paid to ICM is £78,000 (2011: £78,000) salary and PAYE costs relating to full time employees of the Company. These costs were deducted from the management fee payable by the Company to ICM. The average number of employees of the Company in the year was three.

From 1 March 2012, ICM has also provided company secretarial services to the Company with the Company paying one-third of the costs associated with this post.

3. MANAGEMENT AND ADMINISTRATIVE FEES (CONTINUED)

In addition, ICM is entitled to a performance fee payable in respect of each financial period, equal to 15% of the amount of any outperformance in that period by equity funds attributable to shareholders of the post-tax yield on the FTSE Actuaries Government Securities UK Gilt 5 to 10 years Index, plus inflation (on the RPIX basis), plus two per cent. No performance fee is payable for the year ended 31 March 2012 as the total return for the year did not exceed the UEM performance benchmark of 8.65%.

When applicable, half of the performance fee is payable in cash and half in ordinary shares of the Company, based on the diluted NAV per share at the year end. The full performance fee is payable to ICM as soon as practicable following the year end date in order to reduce the risk to the Company of material movements in the price of ordinary shares between the year end date and the date of payment. Any subsequent adjustment to the fee arising out of the audit process will be paid to or recouped from ICM in cash within 7 days of the publication of the Report and Accounts.

For the year to 31 March 2013, a performance fee will be paid if the Company's NAV total return outperforms its performance hurdle. Assuming a 7.00% benchmark rate, and no capital events, the NAV (including dividends paid during the year) would need to exceed 187.89p at 31 March 2013 for a performance fee to be payable. The net asset value must also exceed the high watermark established when the performance fee was last paid (at 31 March 2011), adjusted for capital events and dividends paid since that date. The high watermark as adjusted was 170.29p at 31 March 2012.

Based upon an unaudited fee of £6,415,000 for the year to 31 March 2011, ICM was awarded 1,831,559 ordinary shares for half the fee (based upon the fully diluted NAV of those shares at 31 March 2011). These shares were purchased in the market place on 5 April 2011 at a cost of £2,936,000, a saving of £271,000 to the Group which is recognised in the Accounts for the year ended 31 March 2012. The audited performance fee of £6,477,000, recognised in the Accounts for the year ended 31 March 2011, was £62,000 more than that paid to ICM in April 2011 in cash and shares. This amount was paid to ICM after the publication of the 2011 Report and Accounts.

F&C Management Limited ("FCM") provides accounting, dealing and administration services to the Company for a fixed fee of £210,000 per annum, payable monthly in arrears and will be entitled to reimbursement of certain expenses incurred by it in connection with its duties. The Agreement with FCM is terminable on six months' notice in writing.

4. OTHER EXPENSES

Group	Revenue £'000s	Capital £'000s	2012 Total £'000s	Revenue £'000s	Capital £'000s	2011 Total £'000s
Auditors' remuneration:						
for audit services	**37**	**–**	**37**	33	–	33
for other services*	**37**	**–**	**37**	13	–	13
Migration costs to list on the London Stock Exchange	**456**	**–**	**456**	–	–	–
Custody fees	**196**	**–**	**196**	196	–	196
Directors' fees for services to the Company (see Directors' Remuneration Report on page 30)	**153**	**–**	**153**	143	–	143
Directors' travel expenses	**154**	**–**	**154**	130	–	130
Professional fees	**153**	**–**	**153**	42	–	42
Other travel costs	**149**	**–**	**149**	57	–	57
Sundry expenses	**423**	**29**	**452**	349	26	375
	1,758	**29**	**1,787**	963	26	989

Company	Revenue £'000s	Capital £'000s	2012 Total £'000s	Revenue £'000s	Capital £'000s	2011 Total £'000s
Auditors' remuneration:						
for audit services	**31**	**–**	**31**	30	–	30
for other services*	**37**	**–**	**37**	13	–	13
Migration costs to list on the London Stock Exchange	**456**	**–**	**456**	–	–	–
Custody fees	**196**	**–**	**196**	196	–	196
Directors' fees for services to the Company (see Directors' Remuneration Report on page 30)	**153**	**–**	**153**	143	–	143
Directors' travel expenses	**154**	**–**	**154**	130	–	130
Professional fees	**153**	**–**	**153**	42	–	42
Other travel costs	**149**	**–**	**149**	57	–	57
Sundry expenses	**357**	**29**	**386**	331	26	357
	1,686	**29**	**1,715**	942	26	968

* Total Auditors' remuneration for other services amounts to £37,000 and was for reviewing interim accounts and services for listing the Company's ordinary shares on the London Strock Exchange (2011: £13,000 was for reviewing interim accounts, performance fee and internal procedures).

5. FINANCE COSTS

Group and Company	Revenue £'000s	Capital £'000s	2012 Total £'000s	Revenue £'000s	Capital £'000s	2011 Total £'000s
On loans and bank overdrafts	**560**	**1,307**	**1,867**	547	1,277	1,824

Finance costs are allocated 70% to capital return and 30% to revenue return (see note 1(i)).

6. TAXATION

Group and Company	Revenue £'000s	Capital £'000s	2012 Total £'000s	Revenue £'000s	Capital £'000s	2011 Total £'000s
Overseas taxation	**723**	**–**	**723**	951	–	951
Brazilian overseas investment taxation	**–**	**149**	**149**	–	77	77
Brazilian capital gains tax on sale of overseas investments	**–**	**449**	**449**	–	112	112
Total current taxation	**723**	**598**	**1,321**	951	189	1,140
Deferred tax (see note 16)	**–**	**131**	**131**	–	616	616
	723	**729**	**1,452**	951	805	1,756

Profits for the year are not subject to Bermuda tax.

Deferred tax in the capital account is in respect of capital gains tax on overseas investment holding gains that will be will taxed in future years.

7. EARNINGS PER SHARE

Earnings for the purpose of basic and diluted earnings per share is the profit for the year attributable to ordinary shareholders.

The calculation of the basic and diluted earnings per share from continuing operations is based on the following data:

	Group		Company	
	2012 £'000s	2011 £'000s	**2012 £'000s**	2011 £'000s
Revenue	**8,892**	11,956	**8,964**	11,977
Capital	**2,567**	54,635	**2,495**	54,614
Total	**11,459**	66,591	**11,459**	66,591
Weighted average number of shares in issue during the year for basic earnings per share calculations	**215,760,056**	213,169,337	**215,760,056**	213,169,337

Diluted earnings per share

Group and Company

The warrants and S Shares were fully converted in the year to 31 March 2011 and therefore there is no dilution in the year to 31 March 2012.

For the year to 31 March 2011, diluted earnings per share have been calculated in accordance with IAS 33 "Earnings per share", under which the Company's outstanding warrants and S shares were considered dilutive only if the conversion price was lower than the average market price of the ordinary shares during the year. The dilution was calculated by reference to the additional number of ordinary shares which warrantholders and S shareholders would have received on conversion as compared with the number of ordinary shares which the subscription proceeds would have purchased in the open market.

	2011 Number
Weighted average number of ordinary shares in issue during the period for basic earnings per share calculations	213,169,337
Dilutive potential shares – Warrants	3,300,025
Dilutive potential shares – S shares	935,658
Weighted average number of ordinary shares for diluted earnings per share calculations	217,405,020

8. DIVIDENDS

Group and Company	Record date	Payment date	**2012 £'000s**	2011 £'000s
2010 Final of 1.05p	18 June 2010	02 July 2010	**–**	2,135
2011 Interim of 3.75p	17 December 2010	07 January 2011	**–**	8,219
2011 Final of 1.45p	01 July 2011	15 July 2011	**3,125**	–
2012 Interim of 3.75p	02 December 2011	16 December 2011	**8,082**	–
			11,207	10,354

The Directors have declared a final dividend in respect of the year ended 31 March 2012 of 1.75p per ordinary share payable on 6 July 2012 to shareholders on the register at close of business on 22 June 2012. The total cost of the dividend which has not been accrued in the results for the year to 31 March 2012, is £3,772,000 based on 215,528,793 ordinary shares in issue at the date of this report.

9. INVESTMENTS

Group	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2012 Total £'000s	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2011 Total £'000s
Investments brought forward								
Cost	271,560	–	19,939	291,499	256,891	–	16,370	273,261
Gains/(losses)	119,029	–	(7,502)	111,527	73,749	–	(4,559)	69,190
Valuation	390,589	–	12,437	403,026	330,640	–	11,811	342,451
Movements in the year:								
Purchases at cost	87,009	–	(2,295)	84,714	79,814	–	7,689	87,503
Transfer to level 3*	–	–	–	–	(964)	–	964	–
Sales proceeds	(122,975)	–	–	(122,975)	(91,972)	–	(5,383)	(97,355)
Gains on investments sold in the year	37,895	–	–	37,895	27,791	–	299	28,090
Gains/(losses) on investments held at year end	(24,819)	–	(3,672)	(28,491)	45,280	–	(2,943)	42,337
Valuation at 31 March	367,699	–	6,470	374,169	390,589	–	12,437	403,026
Analysed at 31 March								
Cost	273,489	–	17,644	291,133	271,560	–	19,939	291,499
Gains/(losses)	94,210	–	(11,174)	83,036	119,029	–	(7,502)	111,527
Valuation	367,699	–	6,470	374,169	390,589	–	12,437	403,026

* Transfer due to delisting of investee company.

Level 1 includes investments listed on any recognised stock exchange or quoted on any secondary market.

Level 3 includes investments in private companies or securities.

9. INVESTMENTS (CONTINUED)

Company	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2012 Total £'000s	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2011 Total £'000s
Investments brought forward								
Cost	**271,560**	**13,932**	**19,939**	**305,431**	256,891	9,374	16,370	282,635
Gains/(losses)	**119,029**	**(13,860)**	**(7,502)**	**97,667**	73,749	(7,285)	(4,559)	61,905
Valuation	**390,589**	**72**	**12,437**	**403,098**	330,640	2,089	11,811	344,540
Movements in the year:								–
Purchases at cost	**87,009**	**17,354**	**(2,295)**	**102,068**	79,814	4,558	7,689	92,061
Transfer to level 3*	**–**	**–**	**–**	**–**	(964)	–	964	–
Sales proceeds	**(122,975)**	**–**	**–**	**(122,975)**	(91,972)	–	(5,383)	(97,355)
Gains on investments sold in the year	**37,895**	**–**	**–**	**37,895**	27,791	–	299	28,090
Gains/(losses) on investments held at year end	**(24,819)**	**(4,959)**	**(3,672)**	**(33,450)**	45,280	(6,575)	(2,943)	35,762
Valuation at 31 March	**367,699**	**12,467**	**6,470**	**386,636**	390,589	72	12,437	403,098
Analysed at 31 March								
Cost	**273,489**	**31,286**	**17,644**	**322,419**	271,560	13,932	19,939	305,431
Gains/(losses)	**94,210**	**(18,819)**	**(11,174)**	**64,217**	119,029	(13,860)	(7,502)	97,667
Valuation	**367,699**	**12,467**	**6,470**	**386,636**	390,589	72	12,437	403,098

* Transfer due to delisting of investee company.

Level 1 includes investments listed on any recognised stock exchange or quoted on any secondary market.

Level 2 includes the investment in GERP and Utilico Emerging Markets (Mauritius).

Level 3 includes investments in private companies or securities.

		Group		Company
Gains on investments held at fair value	**2012 £'000s**	2011 £'000s	**2012 £'000s**	2011 £'000s
Gains on investments sold	**37,895**	28,090	**37,895**	28,090
(Losses)/gains on investments held	**(28,491)**	42,337	**(33,450)**	35,762
Total gains on investments	**9,404**	70,427	**4,445**	63,852

9. INVESTMENTS (CONTINUED)

Associated undertakings

The Company had the following associated undertakings at 31 March 2012:

	East Balkan Properties plc
Country of incorporation	Isle of Man
Country of listing	London
Country of operations	Romania
Number of ordinary shares held	32,360,483
Percentage of ordinary shares held	23.10%
	€'000s
Income from associate undertaking included in the revenue account of the Group	–
Value of interest in associated undertakings included in the balance sheet of the Group	2,103(1)
Gross assets	89,408(1)
Gross liabilities	36,169(1)
Gross revenues	4,228(1)
Net profit before tax	2,085(1)
Share of profits/loss before tax	482(1)
Share of taxation charge	–(1)
Share of retained profit/loss	511(1)
Share of net assets	12,298(1)

(1) Based on the latest published accounts of East Balkan Properties plc for the year to 31 December 2011.

Transactions with associated undertakings

East Balkan Properties plc

There were no transactions in the year.

Significant interests

In addition to the above, the Group and Company have a holding of 3% or more of any class of share capital of the following investments, which are material in the context of the Accounts:

Company	Country of registration and incorporation	Class of instruments held	2012 % of class of instruments held	2011 % of class of instruments held
Eastern Water Resources PCL	Thailand	Ordinary shares	**10.2**	10.2
Infrastructure India Plc	London	Ordinary shares	**7.4**	10.6
Ocean Wilsons Holdings Limited	Bermuda	Ordinary shares	**6.7**	9.0

10. SUBSIDIARY UNDERTAKING AND SPECIAL PURPOSE ENTITY

Company	Country of operation, registration and incorporation	Number and class of shares held	Holdings and voting rights %
Utilico Emerging Markets (Mauritius)	Mauritius	**200,000**	100

The subsidiary was incorporated, and commenced trading, on 6 Septemer 2011 to carry on business as an investment company.

The Company holds 3,920 Class B shares linked to a segregated account in Global Equity Risk Protection Limited ("GERP"), an unquoted Bermuda segregated accounts company incorporated on 4 May 2006. The segregated account, which is structured as the Bermuda law equivalent of a protected cell, exists for the sole purpose of carrying out derivative transactions on behalf of the Company. The holding represents 100% of the issued Class B shares that have no voting rights.

Under the IASB's interpretation SIC-12 the segregated account in GERP, represented by the Class B shares, is classified as a special purpose entity of the Company and its financial results are included within the accounts of the Group (see note 1(b)).

11. OTHER RECEIVABLES

	Group		Company	
	2012 £'000s	2011 £'000s	**2012 £'000s**	2011 £'000s
Sales for future settlement	**865**	–	**865**	–
Margin accounts	**7,420**	–	**–**	–
Accrued income	**1,259**	2,352	**1,259**	2,352
Prepayments and other debtors	**97**	66	**97**	66
	9,641	2,418	**2,221**	2,418

The Directors consider that the carrying values of other receivables are approximately their fair value.

12. DERIVATIVE FINANCIAL INSTRUMENTS

All the following derivatives are classified as level 2 as defined in note 1(c).

Group	2012 Current assets £'000s	2012 Current liabilities £'000s	2012 Net current assets/ (liabilities) £'000s	2011 Current assets £'000s	2011 Current liabilities £'000s	2011 Net current assets/ (liabilities) £'000s
Market options – USD	**6,836**	**(1,925)**	**4,911**	1,769	(1,716)	53
Interest rate SWAPs – USD	**–**	**–**	**–**	–	(1,437)	(1,437)
Total derivative financial instruments	**6,836**	**(1,925)**	**4,911**	1,769	(3,153)	(1,384)

Company	2012 Current assets £'000s	2012 Current liabilities £'000s	2012 Net current assets/ (liabilities) £'000s	2011 Current assets £'000s	2011 Current liabilities £'000s	2011 Net current assets/ (liabilities) £'000s
Interest rate SWAPs – USD	**–**	**–**	**–**	–	(1,437)	(1,437)
Total derivative financial instruments	**–**	**–**	**–**	–	(1,437)	(1,437)

Changes in derivatives

	Group 2012 £'000s	Group 2011 £'000s	Company 2012 £'000s	Company 2011 £'000s
Valuation brought forward	**(1,384)**	(546)	**(1,437)**	(2,515)
Purchases	**27,805**	30,193	**–**	–
Settlements	**(18,262)**	(25,570)	**–**	–
Gains and losses	**(3,248)**	(5,461)	**1,437**	1,078
Valuation at 31 March	**4,911**	(1,384)	**–**	(1,437)

13. BANK LOANS – CURRENT LIABILITY

Group and Company	2012 £'000s	2011 £'000s
US$16.4 million repayable March 2012	**–**	10,231

14. OTHER PAYABLES

	Group 2012 £'000s	Group 2011 £'000s	Company 2012 £'000s	Company 2011 £'000s
Purchases for future settlement	**913**	476	**913**	476
Bank overdraft	**2,160**	953	**2,160**	953
Accrued finance costs	**24**	26	**24**	26
Accrued expenses	**752**	7,157	**727**	7,157
	3,849	8,612	**3,824**	8,612

15. BANK LOANS – NON-CURRENT LIABILITY

Group and Company	2012 £'000s	2011 £'000s
US$4.0 million repayable February 2014	**2,503**	–
US$3.0 million repayable February 2014	**1,878**	–
	4,381	–

The Company has a committed senior secured multicurrency revolving facility of £50,000,000 with Scotiabank Europe PLC, secured over the Company's assets, expiring on 23 February 2014 (2011: £25,000,000 with Bank of Scotland, secured over the Company's assets, which matured on 15 March 2012). Commissions are charged on any undrawn amounts at commercial rates. The terms of the loan facility, including those related to accelerated repayment and costs of repayment, are typical of those normally found in facilities of this nature.

16. DEFERRED TAX

Group and Company	2012 £'000s	2011 £'000s
Balance brought forward	**2,277**	1,661
Increase in provision for Brazilian tax on capital gains	**131**	616
Balance carried forward	**2,408**	2,277

Provision is made for deferred tax in respect of capital gains tax on chargeable investment holding gains in Brazil, at a rate of 15% (2011: same).

17. OPERATING SEGMENTS

The Directors are of the opinion that the Group and Company are engaged in a single segment of business of investing in equity and debt securities, issued by companies operating and generating revenue in emerging markets, and therefore no segmental reporting is provided.

18. ORDINARY SHARE CAPITAL

2012	**Authorised Number**	**£'000s**	**Issued and fully paid Number**	**£'000s**
Equity share capital				
Unissued ordinary shares of 50p, 0.5p and 0.1p	**67,219,100**	**27,524**	**–**	**–**
Issued ordinary shares of 10p each				
Balance at 31 March 2011	**1,074,767,809**	**107,477**	**218,597,234**	**21,860**
Purchased for cancellation			**(3,068,441)**	**(307)**
Balance at 31 March 2012	**1,141,986,909**	**135,001**	**215,528,793**	**21,553**

2011	Authorised Number	£'000s	Issued and fully paid Number	£'000s
Equity share capital				
Unissued ordinary shares of 50p, 0.5p and 0.1p	67,219,100	27,524	–	–
Issued ordinary shares of 10p each				
Balance at 31 March 2010	1,074,767,809	107,477	203,312,819	20,331
Issued during the year			23,381,822	2,339
Purchased for cancellation			(8,097,407)	(810)
Balance at 31 March 2011	1,141,986,909	135,001	218,597,234	21,860

Ordinary shares

During the year 3,068,441 ordinary shares were purchased at a cost of £4,933,000 and cancelled. Since the year end no further ordinary shares have been purchased.

19. SHARE PREMIUM ACCOUNT

Group and Company	**2012 £'000s**	2011 £'000s
Balance brought forward	**12,136**	–
Purchase of ordinary shares	**(4,626)**	(8,908)
Premium on conversion of warrants	**–**	16,647
Premium on conversion of S shares	**–**	4,397
Balance carried forward	**7,510**	12,136

This is a non-distributable reserve arising on the issue of share capital.

20. SPECIAL RESERVE

Group and Company	**2012 £'000s**	2011 £'000s
Balance brought forward	**204,587**	206,394
Purchase of ordinary shares	**–**	(1,807)
Balance carried forward	**204,587**	204,587

21. WARRANT RESERVE

Group and Company	**2012 £'000s**	2011 £'000s
Balance brought forward	–	8,089
Transfer to other non-distributable reserve on conversion of warrants	–	(5,144)
Transfer to capital reserve on purchase of warrants	–	(2,945)
Balance carried forward	–	–

This reserve, which is non-distributable, arose on issue of warrants and was utilised on conversion or cancellation of those warrants.

22. S SHARE RESERVE

Group and Company	**2012 £'000s**	2011 £'000s
Balance brought forward	–	8,729
Transfer to other non-distributable reserve on conversion of S shares	–	(4,955)
Transfer to capital reserve on purchase of S shares	–	(3,774)
Balance carried forward	–	–

This reserve, which is non-distributable, arose on issue of S shares and was utilised on conversion or cancellation of those S shares

23. OTHER NON-DISTRIBUTABLE RESERVE

Group and Company	**2012 £'000s**	2011 £'000s
Balance brought forward	**11,093**	994
Transfer from warrant reserve on conversion of warrants	–	5,144
Transfer from S share reserve on conversion of S shares	–	4,955
Balance carried forward	**11,093**	11,093

24. OTHER RESERVES

2012 Group	Capital reserve (arising on investments sold) £'000s	Capital reserve (arising on investments held) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Gains on investments sold	**37,895**	**–**	**37,895**	**–**
Losses on investments held	**–**	**(28,491)**	**(28,491)**	**–**
Losses on derivative financial instruments sold	**(1,337)**	**–**	**(1,337)**	**–**
Losses on derivative financial instruments held	**–**	**(1,911)**	**(1,911)**	**–**
Exchange losses	**(475)**	**–**	**(475)**	**–**
Management fee (see note 3)	**(1,320)**	**–**	**(1,320)**	**–**
Performance fee (see note 3)	**271**	**–**	**271**	**–**
Finance costs (see note 5)	**(1,307)**	**–**	**(1,307)**	**–**
Other capital charges	**(29)**	**–**	**(29)**	**–**
Taxation (see note 6)	**(729)**	**–**	**(729)**	**–**
Revenue profit for the year	**–**	**–**	**–**	**8,892**
Total profit in current year	**32,969**	**(30,402)**	**2,567**	**8,892**
Dividends paid in the year	**–**	**–**	**–**	**(11,207)**
Balance at 31 March 2011	**19,661**	**109,245**	**128,906**	**4,569**
Balance at 31 March 2012	**52,630**	**78,843**	**131,473**	**2,254**

2011 Group	Capital reserve (arising on investments sold) £'000s	Capital reserve (arising on investments held) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Gains on investments sold	28,090	–	28,090	–
Gains on investments held	–	42,337	42,337	–
Losses on derivative financial instruments sold	(6,288)	–	(6,288)	–
Gains on derivative financial instruments held	–	827	827	–
Exchange losses	(433)	–	(433)	–
Management fee (see note 3)	(1,313)	–	(1,313)	–
Performance fee (see note 3)	(6,477)	–	(6,477)	–
Finance costs (see note 5)	(1,277)	–	(1,277)	–
Other capital charges	(26)	–	(26)	–
Taxation (see note 6)	(805)	–	(805)	–
Transfer from warrant reserve on purchase of warrants	2,945	–	2,945	–
Transfer from S share reserve on purchase of S shares	3,774	–	3,774	–
Cost of purchase of warrants	(3,612)	–	(3,612)	–
Cost of purchase of S shares	(1,214)	–	(1,214)	–
Revenue profit for the year	–	–	–	11,956
Total profit in current year	13,364	43,164	56,528	11,956
Dividends paid in the year	–	–	–	(10,354)
Balance at 31 March 2010	6,297	66,081	72,378	2,967
Balance at 31 March 2011	19,661	109,245	128,906	4,569

24. OTHER RESERVES (CONTINUED)

2012 Company	Capital reserve (arising on investments sold) £'000s	Capital reserve (arising on investments held) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Gains on investments sold	37,895	–	37,895	–
Losses on investments held	–	(33,450)	(33,450)	–
Gains on derivative financial instruments matured	(1)	1,438	1,437	–
Exchange losses	(273)	–	(273)	–
Management fee (see note 3)	(1,320)	–	(1,320)	–
Performance fee (see note 3)	271	–	271	–
Finance costs (see note 5)	(1,307)	–	(1,307)	–
Other capital charges	(29)	–	(29)	–
Taxation (see note 6)	(729)	–	(729)	–
Revenue profit for the year	–	–	–	8,964
Total profit in current year	34,507	(32,012)	2,495	8,964
Dividends paid in the year	–	–	–	(11,207)
Balance at 31 March 2011	32,583	96,229	128,812	4,663
Balance at 31 March 2012	**67,090**	**64,217**	**131,307**	**2,420**

2011 Company	Capital reserve (arising on investments sold) £'000s	Capital reserve (arising on investments held) £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Gains on investments sold	28,090	–	28,090	–
Gains on investments held	–	35,762	35,762	–
Gains on derivative financial instruments held	–	1,078	1,078	–
Exchange losses	(418)	–	(418)	–
Management fee (see note 3)	(1,313)	–	(1,313)	–
Performance fee (see note 3)	(6,477)	–	(6,477)	–
Finance costs (see note 5)	(1,277)	–	(1,277)	–
Other capital charges	(26)	–	(26)	–
Taxation (see note 6)	(805)	–	(805)	–
Transfer from warrant reserve on purchase of warrants	2,945	–	2,945	–
Transfer from S share reserve on purchase of S shares	3,774	–	3,774	–
Cost of purchase of warrants	(3,612)	–	(3,612)	–
Cost of purchase of S shares	(1,214)	–	(1,214)	–
Revenue profit for the year	–	–	–	11,977
Total profit in current year	19,667	36,840	56,507	11,977
Dividends paid in the year	–	–	–	(10,354)
Balance at 31 March 2010	12,916	59,389	72,305	3,040
Balance at 31 March 2011	32,583	96,229	128,812	4,663

24. OTHER RESERVES (CONTINUED)

Group and Company

Included within the capital reserve movement for the year is £40,000 (2011: £91,000) of dividend receipts recognised as capital in nature, £205,000 (2011: £285,000) of transaction costs on purchases of investments and £437,000 (2011: £327,000) of transaction costs on sale of investments.

25. NET ASSET VALUE PER ORDINARY SHARE

Group and Company

Net asset value per ordinary share is based on net assets at the year end of £378,470,000 (2011: £383,151,000) and on 215,528,793 (2011: 218,597,234) ordinary shares in issue at the year end.

26. RECONCILIATION OF TOTAL RETURN BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group		Company	
	2012 £'000s	2011 £'000s	**2012 £'000s**	2011 £'000s
Profit before taxation	**12,911**	68,347	**12,911**	68,347
Adjust for non-cash flow items				
Gains on investments	**(9,404)**	(70,427)	**(4,445)**	(63,852)
Losses/(gains) on derivative financial instruments	**3,248**	5,461	**(1,437)**	(1,078)
Exchange losses	**475**	433	**273**	418
Effective interest	**(585)**	–	**(585)**	–
Decrease/(increase) in accrued income	**1,158**	(413)	**1,158**	(413)
(Decrease)/increase in creditors	**(6,407)**	5,825	**(6,431)**	5,829
Decrease in other debtors	**(31)**	24	**(31)**	22
Tax on overseas income	**(787)**	(942)	**(787)**	(942)
	(12,333)	(60,039)	**(12,285)**	(60,016)
Adjust for cash flow items not within Statement of Comprehensive Income:				
Taxation on capital gains	**(449)**	(112)	**(449)**	(112)
Overseas investment taxation	**(149)**	(77)	**(149)**	(77)
Net cash flows on investments	**38,418**	11,971	**21,062**	7,412
Net cash flows on derivative financial instruments	**(9,543)**	(4,623)	**–**	–
Net cash flows on margin accounts	**(7,420)**	–	**–**	–
	20,857	7,159	**20,464**	7,223
Net cash flows from operating activities	**21,435**	15,467	**21,090**	15,554

27. RELATED PARTY TRANSACTIONS

During the year the Company made payments to GERP, its special purpose entity, of £18.1m and received £0.9m (2011: made payments of £4.6m) in settlement of investment transactions. The Company made payments to Utilico Emerging Markets (Mauritius), its subsidiary, of £0.2m for the settlement of the issue of ordinary shares.

On consolidation, transactions between the Company, its special purpose entity and its subsidiary have been eliminated.

Transactions entered into by Mr Jillings as a Director are disclosed in the Directors' Remuneration Report on page 30. At the year end, director fees of £5,000 remained outstanding to Mr Jillings.

The following are considered related parties of the Group: the associates of the Group set out under note 9, being East Balkan Properties plc (2011: East Balkan Properties plc and Indian Energy Limited); the Board of UEM and ICM.

There were no transactions between the above associates and the Company other than investments in the ordinary course of UEM's business.

As detailed in the Directors' Remuneration Report on page 30, the Board received aggregate remuneration of £153,200 (2011: £142,500) included within "Other expenses" for services as Directors. At the year end £32,000 (2011: £36,000) remained outstanding to the Directors. In addition to their fees, the Directors received dividends totalling £93,000 (2011: £63,000) during the year under review in respect of their shareholdings in the Company. There were no further transactions with the Board during the year.

There were no transactions with ICM or ICM Investment Research Limited, a wholly owned subsidiary of ICM, other than investment management, secretarial costs and performance fees as set out in note 3, and reimbursed expenses included within note 4 of £164,000 (2011: £118,000). At the year end £442,000 (2011: £6,957,000) remained outstanding to ICM.

28. FINANCIAL RISK MANAGEMENT

The Group's investment policy is to provide long-term total return appreciation by investing predominantly in infrastructure, utility and related sectors mainly in emerging markets. The Group seeks to meet its investment policy by investing principally in a diversified portfolio of both listed and unlisted companies. Derivative instruments may be used for purposes of hedging the underlying portfolio of investments. The Company has the power to take out both short and long-term borrowings. In pursuing the investment policy, the Group is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit and counterparty risk. The Board of Directors, together with the Investment Manager, is responsible for the Group's risk management. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) below. The Company's underlying risks include the risks within its subsidiary and GERP and therefore only the Group risks are analysed below. The Accounting policies which govern the reported Balance Sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 1 to the accounts. The policies are in compliance with International Financial Reporting Standards as adopted by the European Union and best practice, and include the valuation of financial assets and liabilities at fair value. The Company does not make use of hedge accounting rules.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risks

The fair value of equity and other financial securities held in the Group's portfolio and derivative financial instruments fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The Board sets policies for managing these risks within the Group's investment policy and meets regularly to review full, timely and relevant information on investment performance and financial results. The Investment Manager assesses exposure to market risks when making each investment decision and monitors on-going market risk within the portfolio of investments and derivatives. The Group's other assets and liabilities may be denominated in currencies other than sterling and may also be exposed to interest rate risks. The Investment Manager and the Board regularly monitor these risks. The Group does not normally hold significant cash balances. Borrowings are limited to amounts and currencies commensurate with the portfolio's exposure to those currencies, thereby limiting the Group's exposure to future changes in exchange rates. Gearing may be short or long-term, in Sterling and foreign currencies, and enables the Group to take a long-term view of the countries and markets in which it is invested without having to be concerned about short-term volatility. Income earned in foreign currencies is converted to Sterling on receipt. The Board regularly monitors the effects on net revenue of interest earned on deposits and paid on gearing.

Currency exposure

The principal currencies to which the Group was exposed during the year are set out below. The exchange rates applying against Sterling at 31 March, and the average rates during the year, were as follows:

	2012	Average	2011
BRL – Brazilian Real	2.9148	2.7126	2.6076
CNY – Chinese Yuan	10.0627	10.2621	10.4970
MYR – Malaysian Ringgit	4.8947	4.8968	4.8550
PHP – Philippine Peso	68.5994	69.0802	69.5681
THB – Thai Baht	49.2906	49.0599	48.4812
USD – United States Dollar	1.5978	1.6049	1.60295

The Group's assets and liabilities at 31 March (shown at fair value, except derivatives at gross exposure value), by currency based on the country of primary operations, are shown below:

2012	BRL £'000s	CNY £'000s	GBP £'000s	MYR £'000s	PHP £'000s	THB £'000s	USD £'000s	Other £'000s	Total £'000s
Other receivables	1,895	78	97	–	7	–	7,420	144	9,641
Derivative financial instruments – assets	–	–	–	–	–	–	73,228	–	73,228
Cash and cash equivalents	–	–	146	–	–	–	223	18	387
Other payables	–	–	(753)	–	–	–	(2,183)	(913)	(3,849)
Derivative financial instruments – liabilities	–	–	–	–	–	–	(58,833)	–	(58,833)
Long term unsecured loans	–	–	–	–	–	–	(4,381)	–	(4,381)
Net monetary assets/(liabilities)	1,895	78	(510)	–	7	–	15,474	(751)	16,193
Investments	119,673	74,338	–	45,056	43,669	25,601	1,565	64,267	374,169
Deferred tax	(2,408)	–	–	–	–	–	–	–	(2,408)
Net exposures	119,160	74,416	(510)	45,056	43,676	25,601	17,039	63,516	387,954
Percentage of net exposures	30.7%	19.2%	(0.1)%	11.6%	11.2%	6.6%	4.4%	16.4%	100.0%

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

2011	BRL £'000s	CNY £'000s	GBP £'000s	MYR £'000s	PHP £'000s	THB £'000s	USD £'000s	Other £'000s	Total £'000s
Other receivables	942	327	65	–	128	784	–	172	2,418
Derivative financial instruments – assets	–	–	–	–	–	–	20,275	–	20,275
Cash and cash equivalents	–	–	128	–	–	–	20	63	211
Other payables	–	–	(7,179)	–	–	–	(957)	(476)	(8,612)
Derivative financial instruments – liabilities	–	–	–	–	–	–	(7,987)	–	(7,987)
Short term unsecured loans	–	–	–	–	–	–	(10,231)	–	(10,231)
Net monetary assets/(liabilities)	942	327	(6,986)	–	128	784	1,120	(241)	(3,926)
Investments	135,938	81,706	–	69,426	39,927	24,450	–	51,579	403,026
Deferred tax	(2,277)	–	–	–	–	–	–	–	(2,277)
Net exposures	134,603	82,033	(6,986)	69,426	40,055	25,234	1,120	51,338	396,823
Percentage of net exposures	33.9%	20.7%	(1.8)%	17.5%	10.1%	6.4%	0.3%	12.9%	100.0%

Based on the financial assets and liabilities held, and exchange rates applying, at each Balance Sheet date, a weakening or strengthening of Sterling against each of these currencies by 10% would have had the following approximate effect on annualised income after tax and on net asset value (NAV) per share:

Weakening of Sterling	**2012 BRL £'000s**	**CNY £'000s**	**MYR £'000s**	**PHP £'000s**	**THB £'000s**	**USD £'000s**	2011 BRL £'000s	CNY £'000s	MYR £'000s	PHP £'000s	THB £'000s	USD £'000s
Statement of Comprehensive Income return after tax												
Revenue return	**614**	**156**	**129**	**44**	**45**	**(4)**	698	236	264	55	180	(8)
Capital return	**13,126**	**8,260**	**5,006**	**4,852**	**2,844**	**1,893**	14,851	9,078	7,714	4,436	2,717	124
Total return	**13,740**	**8,416**	**5,135**	**4,896**	**2,889**	**1,889**	15,549	9,314	7,978	4,491	2,897	116
NAV per share												
Basic – pence	**6.37**	**3.90**	**2.38**	**2.27**	**1.34**	**0.88**	7.11	4.26	3.65	2.05	1.33	0.05

Strengthening of Sterling	**2012 BRL £'000s**	**CNY £'000s**	**MYR £'000s**	**PHP £'000s**	**THB £'000s**	**USD £'000s**	2011 BRL £'000s	CNY £'000s	MYR £'000s	PHP £'000s	THB £'000s	USD £'000s
Statement of Comprehensive Income return after tax												
Revenue return	**(614)**	**(156)**	**(129)**	**(44)**	**(45)**	**4**	(698)	(236)	(264)	(55)	(180)	8
Capital return	**(13,126)**	**(8,260)**	**(5,006)**	**(4,852)**	**(2,844)**	**(1,893)**	(14,851)	(9,078)	(7,714)	(4,436)	(2,717)	(124)
Total return	**(13,740)**	**(8,416)**	**(5,135)**	**(4,896)**	**(2,889)**	**(1,889)**	(15,549)	(9,314)	(7,978)	(4,491)	(2,897)	(116)
NAV per share												
Basic – pence	**(6.37)**	**(3.90)**	**(2.38)**	**(2.27)**	**(1.34)**	**(0.88)**	(7.11)	(4.26)	(3.65)	(2.05)	(1.33)	(0.05)

These analyses are broadly representative of the Group's activities during the current and prior year as a whole, although the level of the Group's exposure to currencies fluctuates in accordance with the investment and risk management processes.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate exposure

The exposure of the financial assets and liabilities to interest rate risks at 31 March is shown below:

	2012 Within one year £'000s	More than one year £'000s	Total £'000s	2011 Within one year £'000s	More than one year £'000s	Total £'000s
Exposure to floating rates						
– Cash and bank overdrafts	**(1,773)**	**–**	**(1,773)**	(742)	–	(742)
– Loans	**–**	**(4,381)**	**(4,381)**	–	–	–
	(1,773)	**(4,381)**	**(6,154)**	(742)	–	(742)
Exposure to fixed rates						
– Loans	**–**	**–**	**–**	(10,231)	–	(10,231)
Net exposures						
– At year end	**(1,773)**	**(4,381)**	**(6,154)**	(10,973)	–	(10,973)
– Maximum in year	**5,774**	**–**	**5,774**	12,329	–	12,329
– Minimum in year	**(14,050)**	**–**	**(14,050)**	698	(24,614)	(23,916)

	Exposure to floating interest rates £'000s	**Fixed interest rates £'000s**	**Total £'000s**	Exposure to floating interest rates £'000s	Fixed interest rates £'000s	Total £'000s
Net exposures						
– Maximum in year	**5,774**	**–**	**5,774**	12,329	–	12,329
– Minimum in year	**5,782**	**(19,832)**	**(14,050)**	698	(24,614)	(23,916)

Exposures vary throughout the year as a consequence of changes in the make-up of the net assets of the Group arising out of the investment and risk management processes. Interest received on cash balances or paid on overdrafts and loans is at ruling market rates. The Group's total returns and net assets are sensitive to changes in interest rates on cash and borrowings. Based on the financial assets and liabilities held, and the interest rates pertaining at each Balance Sheet date, a decrease or increase in market interest rates by 2% would have had the following approximate effects on the Statement of Comprehensive Income revenue and capital returns after tax and on the NAV per share.

	2012 Increase in rate £'000s	Decrease in rate £'000s	2011 Increase in rate £'000s	Decrease in rate £'000s
Revenue return	**(37)**	**n/a***	4	n/a*
Capital return	**(86)**	**–**	–	–
Total return	**(123)**	**n/a**	4	n/a
NAV per share				
Basic – pence	**(0.06)**	**–**	–	–

* Interest rates on cash balances were negligible at 31 March 2012 and 31 March 2011.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Other market risk exposures

The portfolio of investments, valued at £374,169,000 at 31 March 2012 (2011: £403,026,000) is exposed to market price changes. The Group enters into currency and index options in managing its exposure to other market risks. The Investment Manager assesses these exposures at the time of making each investment decision. The Board reviews overall exposures at each meeting against indices and other relevant information. An analysis of the portfolio by country and major industrial sector is set out in the Investment Manager's Report on page 7. A description of the derivative positions, which are also exposed to market price changes, together with the Investment Manager's and Board's strategies for using these positions for efficient portfolio management is contained within the Investment Manager's Report under "Capital Return" on page 10. The exposure on the Group's options at 31 March was as follows:

	2012 £'000s	2011 £'000s
Current assets		
Put index options	**73,228**	13,725
Call index options	**–**	6,550
	73,228	20,275
Current liabilities		
Put index options	**8,137**	–
Call index options	**50,696**	6,550
Interest rate SWAPs	**–**	1,437
	58,833	7,987

Based on the portfolio of investments at each balance sheet date, and assuming other factors remain constant, a decrease or increase in the fair values of the portfolio by 20% would have had the following approximate effects on the Statement of Comprehensive Income Capital Return after tax and on the net asset value (NAV) per share:

	2012 Increase in value £'000s	**2012 Decrease in value £'000s**	2011 Increase in value £'000s	2011 Decrease in value £'000s
Statement of Comprehensive Income capital return	**71,244**	**(72,425)**	76,776	(78,577)
NAV per share				
Basic – pence	**33.06**	**(33.60)**	35.12	(35.95)

(b) Liquidity risk exposure

The Group is required to raise funds to meet commitments associated with financial instruments. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Group not having sufficient liquidity at any time is not considered by the Board to be significant, given: the number of quoted investments held in the Group's portfolio (80 at 31 March 2012); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see charts on page 7); and the existence of an on-going loan facility agreement.

Cash balances are held with reputable banks.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Investment Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting. The Group has loan facilities of £50m as set out in note 15. The remaining contractual maturities of the financial liabilities at 31 March, based on the earliest date on which payment can be required, were as follows:

2012	**Three months or less £'000s**	**More than three months but less than one year £'000s**	**More than one year £'000s**	**Total £'000s**
Other payables	**3,849**	**–**	**–**	**3,849**
Derivative financial instruments	**58,833**	**–**	**–**	**58,833**
Bank loans	**–**	**–**	**4,395**	**4,395**
	62,682	**–**	**4,395**	**67,077**

2011	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Other payables	8,612	–	–	8,612
Derivative financial instruments	6,550	1,437	–	7,987
Bank loans	–	10,383	–	10,383
	15,162	11,820	–	26,982

(c) Credit risk and counterparty exposure

The Group is exposed to potential failure by counterparties to deliver securities for which the Group has paid, or to pay for securities which the Group has delivered. The Board approves all counterparties used in such transactions, which must be settled on a basis of delivery against payment (except where local market conditions do not permit). A list of pre-approved counterparties is maintained and regularly reviewed by the Administrator and the Board. Broker counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. The rate of default in the past has been negligible. Cash and deposits are held with reputable banks.

The Company has an on-going contract with its custodians for the provision of custody services. The contracts are reviewed regularly. Details of securities held in custody on behalf of the Company are received and reconciled monthly. To the extent that ICM and F&C Management Limited (FCM) carry out duties (or cause similar duties to be carried out by third parties) on the Company's behalf, the Company is exposed to counterparty risk. The Board assesses this risk continuously through regular meetings with management and internal auditors of ICM and FCM.

In summary, compared to the amounts included in the balance sheet, the maximum exposure to credit risk at 31 March was as follows:

Current assets	**Balance Sheet £'000s**	**2012 Maximum exposure in the year £'000s**	Balance Sheet £'000s	2011 Maximum exposure in the year £'000s
Cash at bank	**387**	**8,232**	211	12,329
Financial assets through profit or loss – derivatives (put options and call options)	**14,395**	**47,889**	13,724	87,679

None of the Group's financial assets is past due or impaired.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair values of financial assets and liabilities

The assets and liabilities of the Group are, in the opinion of the Directors, reflected in the Balance Sheet at fair value, or at a reasonable approximation thereof. Borrowings under loan facilities do not have a value materially different from their capital repayment amount. Borrowings in foreign currencies are converted into Sterling at exchange rates ruling at each valuation date.

Unquoted investments are valued based on professional assumptions and advice that is not wholly supported by prices from current market transactions or by observable market data. The Directors make use of recognised valuation techniques and may take account of recent arms' length transactions in the same or similar investments.

The Directors regularly review the principles applied by the Investment Manager to those valuations to ensure they comply with the Group's accounting policies and with fair value principles.

(e) Capital risk management

The investment policy of the Group is stated as being to provide shareholders with long term capital appreciation by investing predominantly in infrastructure, utility and related sectors mainly in emerging markets. In pursuing this long-term investment policy, the Board has a responsibility for ensuring the Group's ability to continue as a going concern. It must therefore maintain an optimal capital structure through varying market conditions. This involves the ability to: issue and buy back share capital within limits set by the shareholders in general meeting; borrow monies in the short and long term; and pay dividends to shareholders out of reserves. Changes to ordinary share capital are set out in note 18. Dividend payments are set out in note 8. Loans are set out in notes 13 and 15.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2012 Annual General Meeting of Utilico Emerging Markets Limited will be held at The Hilton Chongqing, No.139 Zhong Shan San Lu Yu Zhong D, Chongqing 400015, China on Tuesday, 18 September 2012 at 12.00 noon for the following purposes:

To consider, and if thought fit, pass the following resolutions:

ORDINARY BUSINESS:

1. Minutes of the last General Meeting to be read and confirmed.
2. To receive and adopt the Directors' report and auditor's report and the accounts for the year ended 31 March 2012.
3. To approve the Directors' Remuneration Report for the year ended 31 March 2012.
4. To re-elect Mr A Zagoreos as a Director.
5. To re-elect Mr G A Madeiros as a Director.
6. To re-appoint the auditors.
7. To authorise the Directors to determine the auditors' remuneration.
8. That:
   (a) the 55,000,000 unissued ordinary shares of par value GBP 0.50 be and are hereby subdivided into 275,000,000 ordinary shares of par value GBP 0.10 each; the 3,000,000 unissued ordinary shares of par value GBP0.005 be and are hereby consolidated into 150,000 ordinary shares of par value GBP 0.10 each; and the 9,219,100 unissued ordinary shares of par value GBP0.001 be and are hereby consolidated into 92,191 ordinary shares of par value GBP 0.10 each.
   (b) the Directors be and they are hereby authorised to do or procure all such acts and things as may be required to effect the said sub-division and consolidations.
9. That Bye-Law 3.1 of the Company's Bye-Laws be amended to reflect the Company's authorised share capital as follows:
   "3.1 The authorised share capital of the Company is GBP 135,001,000 divided into 1,350,010,000 Ordinary Shares of par value GBP 0.10 each."

SPECIAL BUSINESS:

10. That in substitution for the Company's existing authority to make market purchases of ordinary shares of 10p in the Company ("Ordinary Shares"), the Directors be generally and unconditionally authorised to make market purchases of Ordinary Shares, provided that:
    (a) the maximum aggregate number of Shares hereby authorised to be purchased is 14.99% of the issued Ordinary Shares as at the date of this notice, being 32,307,766;
    (b) the maximum price which may be paid for an Ordinary Share is the lower of:
        (i) the amount determined by the rules of the UK Listing Authority at the time of purchase (which currently set a maximum equal to 5 per cent above the average of the market value for an ordinary share taken from the Official List of the UK Listing Authority for the five business days immediately preceding the date of purchase, the price of the last independent trade, and the highest current bid on the trading venue where the purchase is carried out) and
        (ii) the net asset value per Ordinary Share on the date determined by the Directors, being not more than 10 days before the date of purchase;
    (c) the maximum price payable referred to in paragraph (b) above is exclusive of any expenses payable by the Company in connection with such purchase;
    (d) such purchases shall be made in accordance with the Bermuda Companies Act;
    (e) the authority to purchase Ordinary Shares conferred hereby shall expire on the date that is 15 months after the passing of this resolution unless it is varied, revoked or renewed prior to such time by the Company in general meeting by ordinary resolution; and
    (f) the Company may enter into any contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiration of such authority.
11. As a Special Resolution: That, the Company may issue Relevant Securities (as defined in the Bye-Laws) representing up to 21,552,870 Ordinary Shares, equivalent to approximately 10 per cent. of the total

number of Ordinary Shares in issue as at the date of this notice, provided that such disapplication shall expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting by Special Resolution (as defined in the Bye-Laws)) at the earlier of the conclusion of the annual general meeting to be held in 2013 or 18 months from the date of this resolution but so that this power shall enable the Company to make such offers or agreements before such expiry which would or might otherwise require Relevant Securities to be issued after such expiry and the Directors may issue Relevant Securities in pursuance of such offer or agreement as if such expiry had not occurred.

By order of the Board
ICM Limited, Secretary
8 June 2012

NOTES

(1) Only the holders of ordinary shares registered on the register of members of the Company at 5:00am (BST) on 16 September 2012 shall be entitled to attend and vote or to be represented at the meeting in respect of the shares registered in their name at that time. Changes to entries on the register after 5:00am on 16 September 2012 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

(2) A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.

(3) The return of a form of proxy will not preclude a member from attending the meeting and voting in person if he/she wishes to do so. To be valid, a form of proxy for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited with the Company's registrars, Computershare Investor Services (Jersey) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 5:00am (BST) on 16 September 2012. In view of this requirement, investors holding shares in the Company through a depository interest should ensure that Forms of Instruction are returned to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 5:00pm on Thursday 13 September 2012.

(4) The register of Directors' holdings is available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the place of the meeting from 15 minutes prior to the commencement of the meeting until the conclusion thereof.

(5) No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Company's Bye-laws. The letters of appointment are available for inspection at the Company's registered office and at the annual general meeting.

(6) The final dividend in respect of the year ended 31 March 2012 for the ordinary shares will be paid on 6 July 2012 to the relevant holders on the register at the close of business on 22 June 2012.

NOTES

COMPANY INFORMATION

Utilico Emerging Markets Limited

Company Registration Number: 36941
www.uem.bm

Directors

Alexander Zagoreos (Chairman)
Kevin O'Connor (Deputy Chairman)
Garry Madeiros OBE
Anthony Muh

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Bermuda Resident Representative and Assistant Secretary

Appleby Services (Bermuda) Ltd
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Investment Manager and Secretary

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Hamilton HM 11
Bermuda

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Administrator

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Telephone 020 7628 8000

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UK Broker

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Authorised and regulated in the UK by the Financial Services Authority

Legal Advisor to the Company (as to English law)

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Legal Advisor to the Company (as to Bermuda law)

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Custodians

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The Company's shares are traded on the Main Market of the London Stock Exchange.
The Company's ordinary shares can be held in an ISA.

	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007	31 March 2006 [2]	20 July 2005 [3]	Change % 2012/11	Change % 2011/10	Change % 2010/09	Change % 2009/08	Change % 2008/07	Change % 2007/06	Change % 2006/05
Total return[1] (Annual)	3.1%	21.4%	44.0%	(28.9%)	16.3%	22.4%	18.2%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Annual compound total return (since inception)	12.3%	13.8%	13.7%	5.9%	24.5%	28.4%	32.2%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Undiluted net asset value per ordinary share	175.60p	175.28p	157.33p	107.76p	168.39p	146.45p	119.48p	98.36p	0.2	11.4	46.0	(36.0)	15.0	22.6	21.5
Diluted net asset value per ordinary share	175.60p[4]	175.28p[4]	148.37p	106.51p	157.20p	138.80p	116.23p	98.36p[4]	0.2	18.1	39.3	(32.2)	13.3	19.4	18.2
Ordinary share price	164.00p	157.75p	132.00p	95.50p	153.75p	137.25p	126.00p	100.00p	4.0	19.5	38.2	(37.9)	12.0	8.9	26.0
(Discount)/premium[5]	(6.6%)	(10.0%)	(11.0%)	(10.3%)	(2.2%)	(1.1%)	8.4%	1.7%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Earnings per ordinary share (basic)															
– Capital	1.19p	25.63p	48.57p	(60.28p)	17.89p	34.19p	19.50p	n/a	(95.4)	(47.2)	n/a	n/a	(47.7)	75.3	n/a
– Revenue	4.12p	5.61p	4.67p	5.08p	5.24p	2.96p	1.62p	n/a	(26.6)	20.1	(8.1)	(3.1)	77.0	82.7	n/a
– Total	5.31p	31.24p	53.24p	(55.20p)	23.13p	37.15p	21.12p	n/a	(83.0)	(41.3)	n/a	n/a	(37.7)	75.9	n/a
Dividends per ordinary share															
– Interim	3.75p	3.75p	3.75p	4.00p	3.50p	2.00p	–	n/a	–	–	(6.3)	14.3	75.0	n/a	n/a
– Final	1.75p[6]	1.45p	1.05p	0.80p	1.30p	0.70p	1.50p	n/a	20.7	38.1	31.3	(38.5)	85.7	(53.3)	n/a
– Total	5.50p	5.20p	4.80p	4.80p	4.80p	2.70p	1.50p	n/a	5.8	8.3	–	–	77.8	80.0	n/a
Equity holders' funds (£m)	378.5	383.2	319.9	230.7	359.5[8]	241.6[7]	89.7	73.8	(1.2)	19.8	38.7	(35.8)	48.8	169.4	n/a
Gross assets (£m)[9]	382.9	393.4	344.5	272.5	441.3[8]	288.6[7]	107.2	73.8	(2.7)	14.2	26.4	(38.0)	53.3	169.2	n/a
Cash/(overdraft) (£m)	(1.8)	(0.7)	2.0	24.1	11.9	19.9	1.2	–	n/a	n/a	(11.2)	102.5	n/a	n/a	n/a
Bank debt (£m)	(4.4)	(10.2)	(24.7)	(41.8)	(79.9)	(45.0)	(17.5)	–	(56.9)	(58.7)	(0.7)	(47.7)	77.5	157.2	n/a
Net debt (£m)	(6.2)	(10.9)	(22.7)	(17.7)	(68.0)	(25.1)	(16.3)	–	(43.1)	(52.0)	28.2	(74.0)	170.9	54.0	n/a
Net debt gearing on gross assets	1.6%	2.8%	6.6%	6.5%	15.5%	8.8%	15.2%	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Management and administration fees and other expenses (£m)															
– excluding performance fee	3.9	3.1	2.5	2.7	3.1	2.1	0.8	–	25.8	24.0	(7.4)	(12.9)	47.6%	n/a	n/a
– including performance fee	3.6	9.6	2.5	2.7	6.5	9.2	3.0	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ongoing charges figure[10]															
– excluding performance fee	0.9%	0.8%	0.8%	0.7%	0.8%	0.9%	0.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
– including performance fee	0.9%	2.5%	0.8%	0.7%	1.7%	4.0%	3.4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(1) Total return is calculated based on diluted NAV per share return plus dividends reinvested from the ex-dividend date
(2) Period from 9 June 2005, the date of incorporation of the Company to 31 March 2006
(3) Date of admission to trading on Alternative Investment Market, migrated to main market in October 2011
(4) There was no dilution
(5) Based on diluted net asset value
(6) The dividend declared has not been included as a liability in these accounts
(7) Includes the £100.0m fund raising in May 2006
(8) Includes the £85.0m fund raising in December 2007
(9) Gross assets less liabilities excluding loans
(10) Expressed as percentage of average net assets, ongoing charges comprise all operational, recurring costs that are payable by the Company or suffered within underlying investee funds, in the absence of any purchases or sales of investments.

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UEM/ANN-12